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THE PARTY LINE-UP FOR 1936
By Paul Mallon

SOCIAL CHANGE v. THE CONSTITUTION
By Charles A. Beard

A MONTH'S WORLD HISTORY

THE NEW YORK TIMES COMPANY



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and the fame of this excellent Rye soon made sales for it even in England



The War for American Independence was over, George Washington had retired from the Presidency to his land.

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Since every gentleman of those days needed a stock of good whiskey, argued Anderson, why not erect a distillery at Mount Vernon, and make use of the grain which the land produced?

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CURRENT HISTORY

JULY 1935

The Party Line-Up for 1936

By PAUL MALLON*

THE broad trend of American politics for three quarters of a century has been clear and undebatable. The Republicans have been the dominant party. They have nearly always won—with the three exceptions of Grover Cleveland, Woodrow Wilson and Franklin Roosevelt. Each of these widely separated Democratic administrations lasted two terms, although Cleveland's did not run consecutively. Each was a reform administration that followed a temporary lapse in Republican prestige. Both Cleveland and Wilson gave way to a long period of Republican rule.

From these facts arises the accepted tradition that this is a Republican country; that the Republicans alone can bring prosperity; that the voters merely chastise them occasionally, but always restore them to favor after a brief, unsatisfactory experience with the Democrats. On the supposition that history repeats itself, many among the politically minded are assuming that the Roosevelt administration will last possibly one more term and then be followed by another long Republican era, dull, careful but prosperous.

Those who accept this conclusion fail to realize that during the past three years a technical political revolution has occurred alongside the bloodless economic revolution upon which the eyes of all citizens have been focused. They do not yet appreciate that the old Republican political technique, upon which that party relied for self-perpetuation, has been borrowed, modernized and extended by the first politically astute Democratic administration we have had.

Republican confidence in history may in time be justified. The country can conceivably return to Republicanism in 1940, or even in 1936, although there is no conclusive evidence that the country will not turn aside from both major parties and seek a more radical control. Yet at the moment it is apparent and incontrovertible that

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any non-Democratic political movement in 1936 or 1940 will have to conquer the most efficient political organization ever created under our system of government.

Partisans like to believe that principles animate voters and win elections. This is only a half-truth. Any good politician knows that principles may be extracted from the air and that they are valueless, unless backed by a strong political organization. Every practical candidate would gladly exchange two principles for one sure-voting precinct machine.

The old successful Republican organization, without overlooking the value of principles, never underestimated the need of a political machine that would reach down into every possible village and hamlet to provide at election time eager workers, watchers, speakers and contributors of funds. At the height of its glory during the expansion decade of the Nineteen Twenties its make-up might have been roughly charted as follows:

I. Officeholders—the Bread-and-Butter Brigade whose eagerness to work for party success is always encouraged by a desire to keep their jobs.

(a) District Attorneys, marshals, customs collectors, the party watch towers in the cities.

(b) Congressmen with district organizations.

(c) State Governors and Senators, each with his own personal State organizations and State officers as segments of the national organization.

(d) Mayors with city machines.

(e) The last and most important, postmasters with their employes, letter carriers, rural free delivery drivers.

II. Sympathetic business organizations:

(a) Chambers of commerce outside the South.

(b) Merchants' clubs outside the South.

(c) Union League clubs, and so forth.

III. Civic groups

(a) Church organizations, especially in small towns, where the prohibition issue inspired political zeal, usually Republican.

(b) Women's clubs and remnants of the suffragist movement, always active politically and preponderantly Republican.

These classifications have not only been upset since March 4, 1933. They have been revolutionized. The first class has been almost entirely abolished, as far as effective Republican organization is concerned. The third classification has also entirely lost the vigorous political influence it wielded in the early Twenties through such militant organizations as the Anti-Saloon League and the related Methodist Board of Prohibition, Temperance and Public Morals. The great middle-class church following of the small towns, the backbone of the Republican party, can no longer be considered a political unit or force.

If there is any group left upon which the reorganization of the Republican machine might be based, it is the second, the business men's organizations, where the traditional belief in Republican prosperity lives on. This is the group which in the past furnished the sinews of war, the money required for the maintenance of national political organizations. This is the group that has contributed so much to middle-class political thought through the influence exerted over white-collar employes.

Yet depression and economic revolution have not left this group unscathed. The befuddlement of the business mind in the past three years has been accompanied by an awakened class-consciousness among employes, white collar as well as others. Furthermore, the contributions which have lately *not* been rolling in to Republican headquarters should make it clear that substantial campaign funds will return only with prosperity.

The wrecking of the Republican machine, however, would be a not very difficult technical obstacle to Republican revival were it not for the formidable political war tank quietly established by the Democrats.

In many respects the still-expanding Democratic organization appears to have been built, though with innovations and variations, from Tammany plans. The fundamental theory of the city machine, which has in the past been successful for long periods not only in New York but in Philadelphia, Chicago, Kansas City and elsewhere, is to care for the poor, organize the neighborhood, give city jobs to unemployed sons and daughters. Parks, playgrounds and public improvements must be built by contracts let on the basis of "honest" graft—perhaps a 10 per cent contribution to political purposes. Let business alone; let municipal debt take care of itself, and build, build, build!

Without reflecting on the honesty or sincerity of the New Deal program, the similarity of some of its features with old-time political machines and its political implications will be apparent to the most casual observer.

The mechanism of the Democratic colossus, of course, is far greater than that of a single municipality. Its most important parts consist of expanded Federal activities. The set-up might be charted as follows:

I. Officeholders, including all those nominally on the Republican list, with these additions:

(a) Thirty-eight State Governors, with probably less efficient personal State organizations than the old Republican ones (because they are newer); seventy Democratic Senators and about 320 Representatives with State and district organizations, a greater number than the Republicans ever had.

(b) The number of new direct Federal employes, which the Civil Service Commission conservatively puts at 127,932, all of whose friends and families will vote.

(c) About 3,000 county agents under the Agricultural Adjustment program who will prove to be far more effective rural organizers than the postmasters. (These are not new officers, but have lately assumed an important political significance.)

II. Direct beneficiaries:

(a) Six hundred thousand persons in the Civilian Conservation Corps, practically all of whom are of voting age, and their families. These should be regarded as almost certain Democratic organization votes, perhaps en bloc.

(b) Those on relief (20,000,000 persons), some of whom are now being turned over to the States; not all of them can be counted certain.

(c) Recipients of farm benefit payments (3,000,000 persons) and their families.

III. Indirect beneficiaries, obligors, mortgagors, whose cooperation might be sought in a tight place:

(a) The 19,000 business firms which have borrowed money from the RFC.

(b) The building and loan associations, contractors and others who are tied in various ways with the Federal Housing Administration, public works and the like.

The administration protests when most of these groups are given political significance, contending that the operations of these governmental agencies are wholly free from political considerations. That may be true. It is improbable that widespread effort would be made to exert political influence upon the third class, for instance, even in the heat of a campaign when no means of victory is ordinarily overlooked. Yet any summation of the scope of the New Deal machine possibilities would be deficient if it failed to mention groups that are financially obligated. They may not be used, but they could be.

An attempt to estimate the ultimate organization and voting potentialities of the classes here enumerated produces fantastic results. A rough guess at the total number of persons involved in the three classes would approach 30,000,000, which is about four-fifths of the votes cast in the last election. No one will contend that the three classes may be solidified into a voting unit, or that their full political potentialities can possibly be established.

The proper significance may be discerned by considering the fact that

before the introduction of these new forces, Franklin Roosevelt polled 22,-821,857 votes in the election of 1932, as against 15,761,841 votes for Herbert Hoover. At that time the Republican organization was considerably more efficient than it is today, although since that time Mr. Roosevelt has lost some of his unorganized popular voting strength. The obvious deduction is that, even if he has lost a considerable portion of it, he has opened up new and previously undeveloped fields which could reasonably be expected to offset an otherwise ruinous loss. In other words, the sub-surface political revolution which he has accomplished goes far beyond the customary traditional calculations of political organization and power.

It is only too easy to be misled by the fact that the President's adversaries are now pressing him militantly, absorbing the greater portion of press and radio publicity, and thus creating a popular belief that the history of Democratic reform administrations is to be repeated as certainly as the sun rises and sets, for President Roosevelt has given the Democratic party a means of self perpetuation that never existed before.

These factors, of course, would lose their potency unless they were utilized forcefully by skilled political hands and unless they were supplemented by alert national, State, county and city committees. But all this the new Democratic leadership has provided. Politically the Democrats now appear to be as shrewd and capable as the best of Republicans.

If an ardent New Deal patriot arises to contest the possibility that the 600,000 members of the Civilian Conservation Corps, for instance, may be voted as a unit, let it not be forgotten that the heroic Lincoln continued the Civil War and saved the union by voting the Federal Army in the field as a unit for the straight Republican ticket. Few persons, except bitter partisans, will contend that the current system was instituted primarily, or even secondarily, for political considerations, but only blind New Dealers will disregard the political power that is now established.

There is one notable weakness. The vast organization is largely temporary, though it will certainly last through the coming Presidential election. The National Recovery Administration has already been hard hit by the Supreme Court's recent decision. The relief and possibly the agricultural phases of the New Deal may be dissolved in the next five years, but in place of relief will come a centralized social-security system that may have some of the same political possibilities. It is inconceivable that all Democratic power will vanish.

These are only the technical factors of the current political trend. Side by side, and vying with them, have developed apparently new, but essentially old, manifestations of political expression—Father Coughlin's Union for Social Justice, Dr. Townsend's Old-Age Pension clubs, the Utopians, Upton Sinclair's EPIC and Huey Long's Share-Our-Wealth clubs. These groups emit such terrifying noises that many people exaggerate their long-time importance.

The followers of Father Coughlin have lately been noisiest and therefore the most important in the public estimation, although each of the others has had its moment of pre-eminence. The essentials of Father Coughlin's importance are: (1) The filing cases in his offices at Royal Oak, Mich., where he is supposed to house the signed pledges of 200,000 subscribers to doctrines that are so general that all Americans, except

Socialists or Communists, could readily accept them, and the names of his 5,000,000 fan-letter writers; (2) the influence he has been able to exert upon the administration and upon Congress by his weekly radio espousal of far more precise and particular doctrines, for which he has brought pressure through storms of letters and telegrams, and (3) the vague, uncertain fear that he may eventually use his strength to lead a revolutionary third party.

Father Coughlin has denied any such purpose, although his denials have not entirely eliminated the possibility. Personally he has chosen to become a borer-from-within. As now established, his unit is not a political organization in the same sense as the Democratic and Republican organizations; rather it is a lobby, comparable perhaps to the American Legion, the American Liberty League and the American Federation of Labor.

The 200,000 members of the Union for Social Justice are essentially no more important, politically, than the 769,908 members of the American Legion, even though they are reinforced by some 5,000,000 or more persons who are supposed to have written letters of encouragement to Father Coughlin or sent contributions to him, and whose names and addresses are in his hands. These 5,000,000 fans have about as much political weight as the persons who write letters to other radio stars. They merely approve what Father Coughlin has said at one time or another.

Whether they could be voted en bloc at the polls, and for whom, is a possibility that Father Coughlin has not yet proved. Probably they could be expected to vote for Father Coughlin were he a candidate for the Presidency, but he is not and can not be. If they were all Roosevelt voters at the last election, and could be delivered to a Republican candidate next year, Mr. Roosevelt would be defeated by this one stroke. If cast for third Presidential candidate, they could not elect him, but would deprive one of the major candidates of substantial support.

These vague possibilities have created respect for Father Coughlin among politicians who fear him in somewhat the same way that they fear organized labor or the veterans. Directly or indirectly, they seek his favor and endorsement, not entirely because they believe that if he opposed them he could defeat them, but because it is better to have him for them than against them. It is commonly believed in Washington that his agitation is half-responsible for the otherwise unexplainable silver policy of the administration. Yet the administration has dared to resist his demands in other matters, notably the Banking Bill, which fulfills some of his hopes, but fails to go as far as he desires.

Father Coughlin thus seems to be a temporary phenomenon. He might conceivably become more than the nation's leading lobbyist of the moment, but it is wholly improbable that he will. It is almost impossible for him to compete with the two major political organizations, no matter how much his prestige may grow. He cannot go into every village and hamlet of the country and establish a rival machine. He cannot match the Bread-and-Butter Brigade, selfishly interested in the success of a major party. He is affiliated with a church organization which theoretically could, but will not, furnish the nucleus for a great political organization.

Standing alone, Father Coughlin is politically less important than the American Federation of Labor, which can surpass him with a total organized

strength of 5,650,000 and a paid-up membership of 2,823,750. He is even less a factor than the A. F. of L. because the permanency of his following is not assured.

His present prestige rests apparently on his having the Senate deluged with telegraphic protests against the World Court and then on his using the same method against Mr. Roosevelt's veto of the bonus—both instances in which his influence was not conclusive.

The effectiveness of this kind of political lobbying depends mainly on its spontaneity. If a Congressman suddenly receives 200 telegrams from his district, and believes they have not been solicited by organized influences, he will conclude that they express a fair cross-section of opinion among his people. But if the same 200 people continue to wire him repeatedly, under orders from a central authority like Father Coughlin, the Congressman must conclude that the opinion thus expressed is only that of the 200 Coughlin followers in his district. Thus repetition dulls the edge of this weapon.

Similarly, Father Coughlin must depend upon his ability to find increasingly sensational assertions in order to keep a strong hold on the imaginations of his followers. But there is a definite limit to such manoeuvres. His predecessors have found this a most difficult phase of their work. The experience of the Technocrats, Upton Sinclair, Dr. Townsend and Senator Long, all of whom have found public fancy extremely fickle, is evidence on that point. Their surges in popular esteem have, to a considerable extent, resulted from the expression of fluctuating discontent with existing conditions. They lose their power if and when conditions change, or when some new Messiah devises a more attractive panacea.

Senator Long says he has more names in his letter file than are in Father Coughlin's. As his reputation for conservatism in making claims affecting himself is not firmly established, some people may discount his figures. His latest estimate of membership in his Share-Our-Wealth Clubs is 8,641,227. His political friends boast that these members are classified in his file by States, in order that he may solicit them hurriedly to sign petitions for placing his name on the ballot as a candidate in the primaries for selecting delegates to the next Democratic National Convention.

Long is too experienced a politician to place much trust in third party movements. He knows that, as a third party candidate, his only hope would lie in the prospect that he could deprive one of the two major party candidates of sufficient votes to permit the other to win. His immediate prospect in that respect is that he might take away enough votes from Mr. Roosevelt to elect the Republican candidate. Long has never favored the garb of martyr. He generally considers his own welfare first, and consequently his political associates have lately reported that he is building hopefully for the day when he may contest Mr. Roosevelt's leadership of the Democratic party and establish himself as Mr. Roosevelt's successor. But in their estimation the earliest possible date is 1940.

At any rate, Long, like Coughlin, is at present a negative political factor; he is a threat, an expression of fluctuating discontent. Finally, he seems to be incapable of merging with Coughlin into a more formidable unit or of effective self-expression in his own right on a competitive basis with the two major parties. So, too, the

dwindling Townsend Old-Age Pension organization.

The only practical independent political machine that has evolved from contemporary conditions is that of the Socialist Sinclair, and it has been confined to California. No national political agent can possibly use it, certainly not Long or Coughlin, and it has no sweeping national political character. The position of Governor Floyd Olson of Minnesota is somewhat similar. There is a real possibility that Olson may be a third party Presidential candidate, as he is a Farmer-Laborite, owing allegiance to neither Republicans nor Democrats. He has nothing to lose, nor much to gain.

This fact in itself eloquently expresses the real prospects of any third party movement at the present time, as well as the fundamental practical deficiencies of organized protests. Psychologically they represent a trend in political thinking among a large mass of people, a trend toward division on economic lines rather than the old artificial political lines, but the movements are so inadequately led, and are faced with such tremendous barriers, that few rational observers believe they can overcome their handicaps. Their present restricted strength and their future possibilities depend almost entirely on the curve of business. They will fall when it rises, and rise when it falls.

Hence, the really fundamental trend of national political thought, as well as of technique, continues to concern the two major parties. The psychological changes in them have been as deep as the technical revolution but not so clear-cut. Mr. Roosevelt has sought to make the Democratic party a school of far more advanced and liberal thought than its elder statesmen believe wise. This he has accomplished in the face of such organizations as the American Liberty League, a grouping of more conservative Democratic elders as well as Republicans, and such Democratic statesmen as the South is accustomed to send to Congress.

Because the Southern Democrats have comprised the only perpetually successful wing of the party in its long years of adversity, they regard themselves as the party itself. Some of them have openly resisted Mr. Roosevelt's march. Others, who have gone along with him and are now in the front ranks of his army, do not at heart share the zeal or faith of Mr. Roosevelt in his political movement. Thus, in a strictly accurate sense, Mr. Roosevelt is himself a third party, an expression of independent political thought using the skeleton of the Democratic party, but drawing skin and sinew from a somewhat sympathetic group of independent Republican thinkers represented by such men as Senator Norris and the La Follettes, who have been attempting for years to accomplish a similar reformation within the Republican party.

This trend has not wholly wiped out party lines. Mr. Roosevelt has invited the less conservative Republicans to join his party, but they have been shy and have not accepted the invitation. Mr. Roosevelt's political managers have gone about establishing their own Democratic organizations in States where these somewhat independent Republicans have resided with political organizations of their own, and in no case does Mr. Roosevelt's Democratic organization, in Nebraska, in Wisconsin or elsewhere, include the leading campaign associates of the independent Republicans.

The result of this makeshift bipartisan understanding, without direct partisan consolidation, was such that, during the Congressional campaign

of 1934, while Mr. Roosevelt supported some of the independent Republican Senators theoretically, his Democratic political organization failed to do so, and in one instance, notably in New Mexico, it openly opposed one of its unofficial Norris-La Follette supporters, the late Senator Bronson M. Cutting.

When Senator La Follette in Wisconsin was compelled to drop the Republican banner which he and his family had been carrying through two generations, he chose an independent one. He became a Progressive party candidate, which is to say, neither fish nor fowl. Furthermore, Mr. Roosevelt's political managers, in these particular States or others, have made no effort to cast out from their ranks those who have more conservative economic views. The Southern Democratic Senators who have been resisting his views to a considerable extent have not been asked to leave, and are not planning to do so.

Two sects have always existed in both major parties, sharing almost common economic views that were more radical than those of their respective party leaders. Their economic views have always cut across party lines. But only once have these currents led to a national political outburst. That was the La Follette-Wheeler campaign in 1924, and its dismal failure has encouraged the strong resistance, since then, to any suggestions of rebellion or definite political realignment.

What has happened under Roosevelt is only an accentuation of the traditional cutting across party lines by economic views. The opportunity for a realignment on the basis of economics has become increasingly obvious. Theoretically, but not actually, the economic segments have come closer together, and it is apparent that only some sort of national disaster could break the ties that bind all groups to the past.

The stronger undercurrent is in another direction—toward improving the technical organization of the Democratic party, toward its establishment as a party recognizing economic change and one which offers a haven for the majority of voters. But this would not destroy the two-party system. This trend may be upset hastily in such troubled times as these, when there is a strong, shifting, dissatisfied element, when ideas are being pushed constantly toward extremes. Yet so long as the interested parties maintain a reasonable composure and continue to find their purposes served by the lines they have established, these will be the lines they pursue.

Social Change v. the Constitution

By CHARLES A. BEARD

IN May the Supreme Court of the United States emerged from "the twilight," where it had dwelt for two long years while President Roosevelt directed the national drama, and delivered three smashing decisions against the New Deal and its works. As if preparing to occupy its new palace of justice with pomp and circumstance it made manifest its powers, prestige and resolves in language so merciless as to admit of no doubt respecting its intentions. Observers who had supposed that the court did not imagine itself competent to handle the crisis in economy and thought were quickly disabused of the illusion and duly informed that this tribunal intends to play its historic rôle with all the engines of sovereignty at its command.

The first of the decisions, rendered on May 6, declared invalid the Railroad Retirement Act, providing a system of pensions for railroad employes. In presenting the opinion of the court, Justice Roberts held that the act denied due process of law "by taking the property of one and bestowing it upon another," and that the provision of such pensions lay beyond the power of Congress to regulate interstate commerce. These two propositions, which constituted the statements germane to the settlement of the case, Justice Roberts supported by citations and discriminations which he deemed appropriate, especially emphasizing the contrast between pensions and workmen's compensation. Nowhere in the act before him could he find any "reasonable" relation to interstate traffic or to efficiency in railway operation.

Besides discoursing on what may be called the purely legal aspects of the issue, Justice Roberts expounded a social philosophy with his wonted vigor. He contended that the pension law would destroy, rather than promote, the loyalty of employes and was "an attempt for social ends" to assure "a particular class of employes against old age dependency" by infringing the rights of private property in a way not "necessary" or "appropriate" to the "due" fulfillment of the "railroads' duty to serve the public in interstate transportation." In substance this was the "sociological jurisprudence" of the celebrated Ives case of 1911, in which the New York Court of Appeals invalidated the Workmen's Compensation Act of 1910. It was so cogently and emphatically stated by Justice Roberts as to close the door upon such pension legislation and such features of the "security program."

Chief Justice Hughes must have felt himself on familiar ground as he prepared a vigorous dissent, in which he was joined by Justices Stone, Brandeis and Cardozo. He had been Governor of New York when the hot battle over workmen's compensation had been started and had taken a deep interest in the progress of that legislation. He was likewise acquainted with the repercussions and outcome of that contest. At all events, he was moved to protest against the absolutism of

Justice Roberts's law and against his view that a pension is largess taken from the property owner and bestowed upon workmen.

"The gravest aspect of the decision," said Chief Justice Hughes, "is that it does not rest simply upon a condemnation of particular features of the Railroad Retirement Act but denies to Congress the power to pass any compulsory pension act for railroad employes." Then, with a logic and a command of social history at least equal to the display of Justice Roberts, the Chief Justice argued that the power to establish a unitary retirement system for railway employes is within the constitutional authority of Congress. Moreover, he referred to the close study of advisable pension methods now in progress and warned his brethren on the bench that "it is not our province to enter" the field of technical discussions respecting the manner in which pensions should be set up. Thus he brought his jurisprudence abreast his thought in an area of law in which he had enjoyed long economic and political experience.

When, however, Chief Justice Hughes came face to face with the National Industrial Recovery Act of 1933 in the Schechter poultry case, he confronted an issue in economy and statecraft unlike workmen's compensation and kindred social legislation, already fought out in the national court of politics and opinion. By general agreement it had been conceded that the NIRA marked a break with the prevailing law touching consolidated industry, concentrated economic control and the aggregation of industrial activities under giant trusts, holding companies and combinations. The anti-trust acts designed to block this process of concentration had been tried for nearly fifty years and under the conception of economy represented by them a ruinous panic had occurred. So Congress in devising NIRA reversed the traditional policy and substituted regulation and cooperation for prosecution and dissolution.

The collectivist conception embodied in NIRA was founded on the idea that efforts at the restoration of competition among primitive units of enterprise had failed in fact, and were not in line with an inexorable course of economic development.

Theodore Roosevelt, as Governor of New York and as President of the United States, had expounded that idea in numerous messages; and it was incorporated in the Progressive platform of 1912. It appeared in the Federal Trade Commission Act passed under the auspices of President Wilson, despite the contradictory philosophy of "the New Freedom." It was developed under Presidents Harding, Coolidge and Hoover, as the Federal Trade Commission and the Department of Commerce proceeded steadily, if cautiously, with promoting the formulation of codes of fair trade practices for the units of particular industries. It was incorporated in the planning proposals of the United States Chamber of Commerce in 1931. With the counsel of eminent business leaders it was incorporated, in wide applications, in the NIRA. Thus the idea was working its way into practice as it competed with the older idea of prosecution, dissolution and persecution.

Such was the issue in its time setting, an issue looking to the future, an interpretation of history to be made, that was presented to the Supreme Court in the Schechter case and decided on May 27. Chief Justice Hughes delivered the opinion for a unanimous court. Casting aside the caution, born of experience, displayed in the railway pension case, the Chief Justice be-

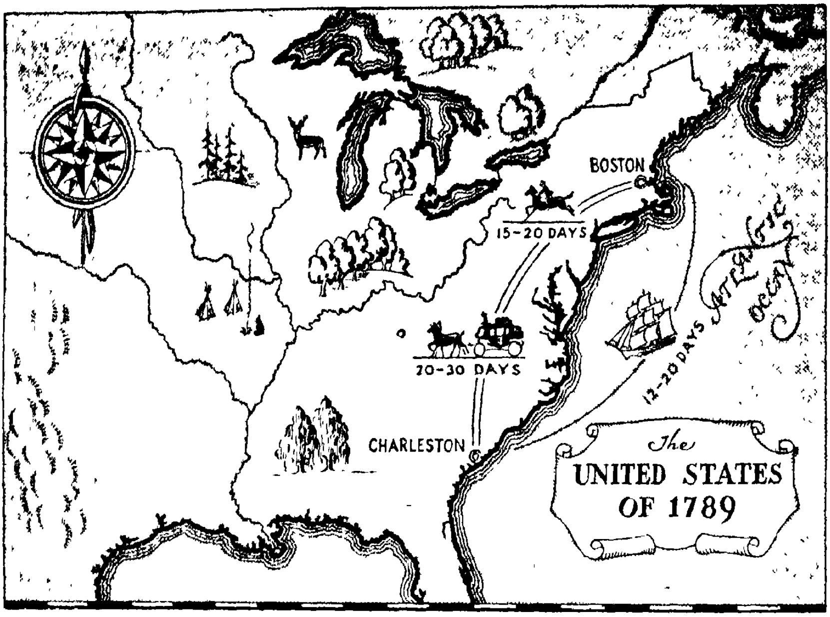
came as absolute as Justice Roberts in his cause. He declared flatly that the code-making provisions of the National Industrial Recovery Act constituted an invalid transfer of legislative powers from Congress, where they belong under the Constitution, to the President and other persons not endowed with legislative powers by that document. With equal firmness and universality of sweep, the Chief Justice disposed of the other phase of the case: the determination of hours and wages in such "local" industries does not "directly affect" interstate commerce and is beyond the constitutional powers of the Federal Government.

In a concurring opinion, Justices Cardozo and Stone were even more emphatic. "If centripetal forces are to be isolated to the exclusion of forces that oppose and counteract them," said Justice Cardozo, "there will be an end to our Federal system." In fine, Congress may in some measure correct the "improper delegation" of legislative powers by a curative statute, but, by a strict interpretation of interstate commerce, it is deprived of the authority to effect the fundamental purposes of the National Industrial Recovery Act.

While displaying an anxiety to prevent an invasion of legislative authority by the Executive, the Supreme Court, in the Humphrey case, also decided on May 27, stripped the President of the power to remove Federal officers, which many authorities in public law had long believed to be a part of his executive prerogative under the Constitution. This issue involved a long swirl of conflicts and opinions extending back to the formation of the Federal Government, and especially the dispute over the Tenure of Office Act passed during the battle between Congress and President Johnson in 1867. But it was supposed in some quarters of legal competence to have been settled by the Meyers case, decided by the Supreme Court in the term of 1926-1927. As Professor Howard Lee McBain remarked at the time, in commenting on Chief Justice Taft's opinion, "the court went out of its way to express the view that this power [of removal] is all-comprehensive."

Nevertheless, the Supreme Court under Chief Justice Hughes took another angle of vision in 1935: President Franklin D. Roosevelt was without power to remove William E. Humphrey from the Federal Trade Commission save on the statutory grounds provided by Congress in the act creating the commission. After many years of activity in Republican politics, Mr. Humphrey had been appointed by President Coolidge and reappointed by President Hoover. During his term of office he had been outspoken, not to say dogmatic, in the expression of views against exercising too strict control over the operations of industries and corporations. His antagonism to the New Deal was well known, and President Roosevelt removed him on the simple ground that his conceptions of policy were not in accord with those of the administration. But Justice Sutherland, speaking for the court, declared that the President had exceeded his authority.

With the same unanimity the Supreme Court, speaking through Justice Brandeis, annulled on May 27 the Frazier-Lemke Farm Moratorium Act of 1934. Although this law was not regarded as a part of the New Deal and President Roosevelt had criticized it as loosely drawn, he had signed the bill in a mood of concession to the farm bloc. Despite the sanction which the Supreme Court had lent to the moratorium doctrine in the Minnesota case, Justice Brandeis made short shrift of

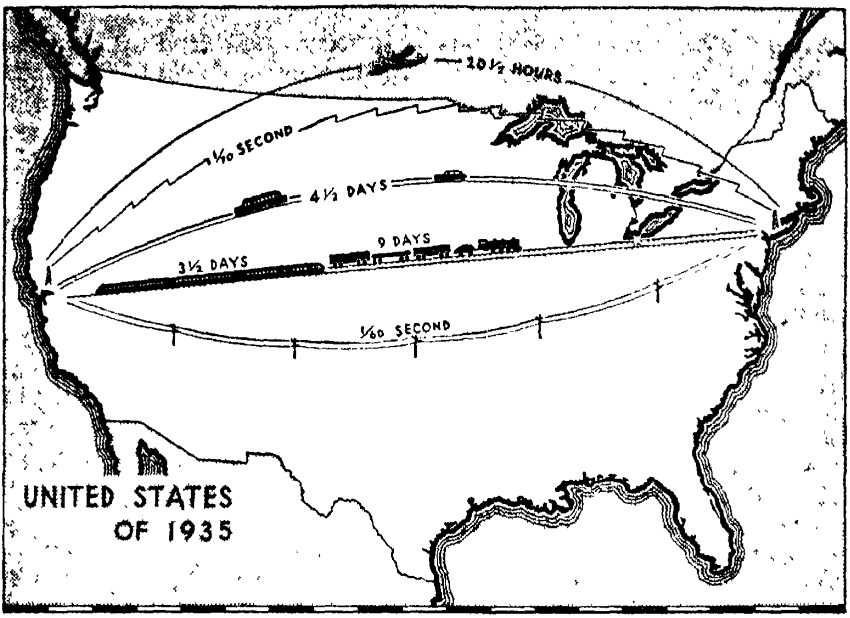


the Frazier-Lemke Act, laying emphasis on the provision of the Fifth Amendment, which declares that private property shall not be taken for public use without just compensation, rather than on the due process clause.

Delivered with trip-hammer strokes on the same day, as if for dramatic emphasis, the opinions of the Supreme Court in the NRA, Humphrey and Farm Moratorium cases fell upon the country like a thunderbolt, awakening excited hopes, fears and apprehension. Citizens who fancied that some fiat against "regimentation" could suddenly restore "confidence" and bring "recovery" greeted the decisions with rejoicing. "Wall Street Hails New Deal Defeats," ran the newspaper headline expressing gratification. As news of the decisions broke in the late afternoon of May 27, securities on the New York Stock Exchange made a spurt upward as if the great day so longed for had actually arrived. Republican leaders gave thanks for vindication in their struggle against "regimentation," and looked upon the decisions as demonstrating the soundness of their demand for "a return to constitutional government."

At once cuts in the prices of many commodities were announced, hinting that the country might be at last upon the verge of that price-slashing which was to restore the "economic equilibrium" by releasing buying power. News of wage reductions in a few industries was reported at the same time, indicating the deflation of wages which was deemed, in many quarters, a necessary concomitant of the expected economic revival. Perhaps the decrees of the Supreme Court disrupting the New Deal would release the processes of price-cutting, wage reduction and deflation regarded as essential to the rapid operation of the capitalist system along orthodox lines.

On second thought, however, matters did not seem so simple and promising. The next day, May 28, stocks shot downward from 1 to 6 points "in



the second heaviest trading of the year." Leaders in great industries began to express dubious opinions. And it was made generally known to the public that, after all, NIRA had not been drafted by hare-brained political radicals engaged in a war on business. As the few acquainted with the history of its origins were well aware, it had been in large part the expression of an economic philosophy long expounded by the United States Chamber of Commerce, with some concessions to labor. But now many great economic enterprises, which had been rescued from the slough of 1933 by codes and by stabilization, were threatened by renewed internecine strife, boding evil rather than good for profits. From business circles all over the country telegrams began to pour in upon President Roosevelt, urging him to save all that was possible under the rulings of the Supreme Court. Speaking for the American Federation of Labor, William Green called for action designed to hold the gains of labor and warned the country of impending strikes in case wage-slashing became the order of the day.

From Republican quarters came doubts also. As business leaders expressed fears of a downward slide, it was remembered that NIRA was not a mere measure for Democrats; there were Republican beneficiaries under it as well; for example, the textile manufacturers of New England, now threatened with renewed Southern wage reductions and hour increases. One Republican philosopher expressed a general opinion when he said that the destruction of NIRA might mean immediate prosperity, from which President Roosevelt would benefit, or it might mean another crash like that of 1933, which would make difficult a Republican campaign in 1936 on the favorite slogan of "abolish regimentation and restore prosperity."

In the political circles of Washington the decision of the Supreme Court in the NIRA case called forth a multitude of counsels. They may be swiftly

summarized: bring about voluntary acquiescence in industrial codes by offering a relaxation of the anti-trust laws in case of code compliance; amend the Constitution to permit Congress to deal effectively with the new economic and social conditions; call a national constitutional convention to effect a general revision of the fundamental law of the land (proposed by the agrarian-labor left); transform certain essential industries into utilities affected with public interest; create interstate compacts for the enforcement of provisions on wages, hours and child labor; establish a court of administrative review to handle such economic issues, leaving issues of law to the Supreme Court; amend the Constitution to permit the rendering of advisory opinions on constitutionality by the court; require a two-thirds majority of the court for the invalidation of statutes, and deprive the Supreme Court of the power to review social and economic policies as distinguished from questions arising out of the Federal system of States as such.

Out of the proposals and prognostications came little assurance. No one could accurately forecast whether the NIRA case was another Dred Scott case or merely a storm in a demitasse. There seemed to be no way of foreclosing on the future. Meanwhile, from the neighborhood of the White House came reports that the President's advisers were divided into three groups.

The first, headed by Hugh S. Johnson, urged him to prepare immediately "a new and better NRA," conforming to the limitations set by the Supreme Court, and secure enactment before the old law lapsed on June 16. The second proposed that the President should do nothing now, allow confusion to grow more confounded as the Supreme Court carried the onus, and let the shouting critics of NRA, both conservatives and radicals, "stew in their own juice." This course, it was thought, would permit the President to assume leadership later, as the conflict of opinion intensified and economic uncertainty deepened. The third group among the President's advisers took a longer range of the future into its view. It counseled the President to accept the judicial annulment as finally demonstrating that it was impossible to cope with contemporary social and economic questions under the Constitution as interpreted by that tribunal. This program involved the formulation of a constitutional amendment and a campaign of education looking to fundamental changes in the distribution of powers within the Federal system.

Events waited on President Roosevelt's decision, though his practice of combining varying opinions for action indicated that he might well take something from each of the three strategies suggested. In the report of the White House press conference of May 31 President Roosevelt began to indicate a certain drift in his thinking. He stated that the Supreme Court decision interpreted the Constitution in the light of the "horse-and-buggy" days of 1789, thus suggesting that the Constitution so conceived had been outmoded by social and economic events. He expressed the thought that AAA, SEC, the Social Security Bill and the labor legislation pending in Congress had been jeopardized by the decision of the court. In measured words he referred to the Dred Scott decision as an important factor in the events which precipitated the Civil War. Still more significantly the President observed "with some asperity" that the court "seemed to recognize

mining as an instrument of interstate commerce when it supported injunction suits against miners, although the shoe was on the other foot when the question of miners' wages and hours was raised."

A crucial inference was drawn from the discussion by the reporters assembled at the conference: "The President felt that, if the Constitution made his Federal program for regulating economic conditions impossible, the Constitution must be changed."

As the days passed the news reported a continued searching of minds and hearts in the White House, while leaders in politics, business and labor unionism poured out comments and observations. On Sunday, June 2, it was announced that administration officials were considering the immediate submission of an amendment to the Constitution, giving Congress broad powers over social and economic affairs, coupled with a stipulation that ratifying conventions should be called in the States for a quick review. On Monday plans for salvaging all that was left of NRA after the Supreme Court decision were uppermost in the counsels of the White House. The next day came hints that the President was inclined to postpone the issue of a constitutional amendment and to recommend legislative measures.

By June 6 the administration program had become fairly settled. It included the following elements:

1. Continuance of NRA until April 1, 1936, stripped of all powers save those of fact-finding and enforcing minimum hour and wage standards in cases of government purchases;

2. The possible addition of other powers later in the present session;

3. Modification of liquor control legislation in line with the Supreme Court decision on codes;

4. Similar modifications in AAA;

5. Continuance of the Petroleum Control Board;

6. Renewal of the Bankhead Cotton Control Act;

7. Amendments to the Pure Food and Drug Acts;

8. Passage of certain bills now pending such as—

(a) the utility holding company measure,

(b) the Wagner Labor Disputes Bill,

(c) the Motor Bus Regulation Bill,

(d) the Guffey bill for control of soft coal production,

(e) the social security measure and

(f) the Banking Bill (see page 353).

The plan for proposing an amendment to the Constitution authorizing social and economic legislation was postponed, with the hint that it might be revived later, perhaps next year.

In view of the fact that the Supreme Court decision in the NIRA case wiped out the obligatory codes, including provisions touching hours and wages, and rendered functionless most of the NRA machinery, President Roosevelt announced on June 4 the approaching end of several divisions of that administrative organization: the Office of Special Adviser to the President on Foreign Trade; the National Labor Relations Board; the Petroleum Labor Relations Board; the Textile Labor Relations Board; and certain other boards in the field of labor relations.

Meanwhile, business leaders and associations were pledging themselves to maintain by voluntary cooperation many of the minimum standards formerly set up in the codes; and trading on the Stock Exchanges indicated a returning, if cautious, strength. After all, recovery had not come in the night; neither had the American economic system fallen into complete ruin. Nothing had been closed or opened forever; the movement of interests and ideas continued.

Nevertheless, forces opposed to any "tinkering" with the Constitution were gathering. The Liberty League issued a blast against the very idea.

On Sunday, June 2, Senator Borah made an impassioned address against President Roosevelt's tentative suggestions. The Senator defended the handiwork of Hamilton, Madison and Jefferson, and was content to stand by the distribution of Federal powers made by the Constitution as interpreted by the Supreme Court.

There was, it is true, a little historical contradiction in Senator Borah's philosophy. In the constitutional convention of 1787, Hamilton had proposed to vest in Congress the "power to pass all laws whatsoever" subject to executive veto; he had proposed that the Governors of States should be appointed by "the General Government"; and he had urged tenure during good behavior for the Chief Executive. In the same constitutional convention, the Virginia Plan, sponsored by Madison, proposed to give to Congress the power to legislate "in all cases to which the separate States are incompetent or in which the harmony of the United States may be interrupted by the exercise of individual legislation." As for Jefferson, he was not a member of the convention which drafted the Constitution; he had opposed ratifying it in the form in which it came from the convention; and he declared that Marshall's argument accompanying his action in annulling an act of Congress was an "obiter dissertation" and contrary to the very nature of the Constitution. But such little matters of historical fact did not disturb Senator Borah in rallying to the defense of the work of Hamilton, Madison and Jefferson, as against Tugwell, Hugh Johnson, Richberg and Roosevelt.

Viewed in the light of long history the exit from the impasse depended upon the gravity of the crisis itself. Was the depression a mere passing show, soon to be over and forgotten? Or was it deep-seated and, if relieved for the moment, a mere precursor to another boom and burst bequeathed to the next decade? Was it true after all that the Constitution, as distinguished from the judicial opinions advanced by a passing generation of men, did not permit the Federal Government to adopt measures appropriate to the concentration and integration of wealth and economy? Nothing less fundamental was involved, and historical analogies were applied by students of public affairs.

Only three times in American history had the Supreme Court thrown itself resolutely across currents of powerful interests and ideas. The first was in the Dred Scott case, decided in 1857, when the court declared that Congress had no constitutional power to abolish slavery in the Territories, and thus made impossible a resolution of the contemporary conflict by legal methods. The answer of history was the Civil War and its aftermath—the Thirteenth, Fourteenth and Fifteenth Amendments profoundly altering the Federal system. The second effort of the Supreme Court to block the course of Federal policy came during and immediately after the Civil War, when by various decisions it attempted to put restraints upon the President and Congress. The answer of history was a curtailment of the appellate jurisdiction of the court, an increase in the number of judges from seven to nine, and a reversal of the legal-tender decisions after the appointment of two new judges known to be favorable to a reversal. The third effort was made in 1895 when the court declared most of the income tax law of 1894 invalid. The verdict of history on this occasion was a reversal of the court by the process of amendment. Were the forces represented by NIRA deep-seated or transitory?

Who Shall Rule the Money Market?

By ELLIOTT V. BELL*

WHO shall control the nation's money supply, the bankers or the government? This has been the fundamental issue behind the fight over the Banking Bill of 1935.

Like the historic money issues of the past, including Bryan's campaign of 1896 and the struggle over the original Federal Reserve Act in 1913, the contest has been sectional. Beneath the bewildering technicalities of the debate there has been evident the old, deep-seated fear and distrust prevalent in the West of New York's dominant influence upon credit.

That the issue was not apparently as clear-cut as it had been on earlier occasions was probably due to the character of the debate, which was carried on largely between experts and upon a more sophisticated plane. Perhaps some of the important New York bankers who so vigorously assailed the bill would deny that any sectional issue was involved. But the other side of the debate has made no bones about it.

Amadeo P. Giannini, the Far West's leading banker, came out in favor of the bill with a blast that roundly declared the opposition of the New York banks to be based on an effort to perpetuate their domination of monetary and credit policies. Marriner S. Eccles of Utah, governor of the Federal Reserve Board and chief sponsor of the bill, declared that the real issue was control over the volume and cost of money and asserted that the irreconcilable opposition to centralizing this control in a government body came from a few banking and business leaders, "particularly in New York." He argued that our money system should be "controlled for the benefit of the nation as a whole and not for the benefit of special interests." "Certain private interests, which cannot escape a share of the responsibility for the banking collapse, wish to perpetuate the present unsatisfactory situation," Mr. Eccles declared, and a moment later he plastered the onus of this accusation upon New York while at the same time he asserted that "this attitude is by no means characteristic of all of the bankers of the country."

The New York bankers, tearing up the last shreds of the "truce" they had made with the President last October, countered with the cry of "inflation." The real purpose of the bill, they said, was to give the administration "complete control of the Reserve System's bond-buying policy" so that, "in case continued spending and borrowing should impair the government credit and drive from the market private banks and other investors," the government could finance itself by dipping into the central bank. This, they pointed out, was the course Germany followed in her ruinous inflation.

The bill would turn the entire banking system of the country over to the tender mercies of partisan politics, the New York bankers asserted. At

*A member of the financial news staff of *The New York Times*, Mr. Bell contributed an article entitled "The Bankers Sign a Truce" to CURRENT HISTORY for December, 1934.

the same time, they said, it failed completely to recognize the fundamental defects of the banking system itself.

The debate has been almost exclusively concerned with one section of the bill, Title II. Titles I and III aroused almost no controversy, for they were chiefly concerned with remedying errors that had inadvertently crept into earlier banking legislation. But before considering any details of the bill let us consider some aspects of the money market which it seeks to control.

When Mr. Eccles spoke of control over money he was not, of course, referring merely to the kind of money that jingles in the pocket or that is carried in a billfold. He meant the total supply of money, consisting of currency, plus the demand deposits in commercial banks that circulate through the medium of bank checks. In the United States currency is only the small change of the money supply, for nine-tenths of all business is done by means of checks. Control over the currency is vested in Congress by the Constitution and nobody thinks of questioning that arrangement.

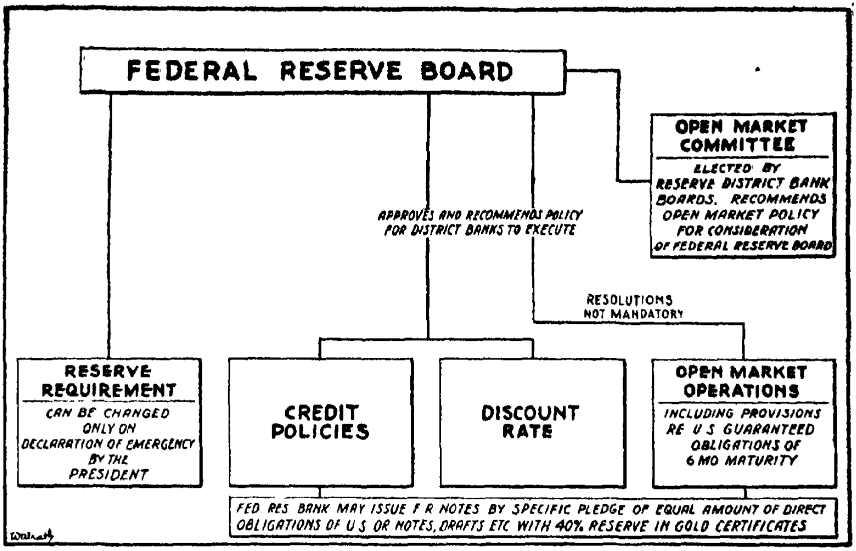
Control over that much larger and more important part of the money supply—bank deposit or check money—rests very largely with the banks. It is this part of the money supply that has fluctuated so greatly during the depression. Between 1929 and the pit of the depression, demand deposits shrank at least 30 per cent. In the same period the amount of currency in use actually expanded because of hoarding.

Economists do not agree whether the shrinkage of the money supply was cause or effect of the depression. The bankers, for the most part, contend that the shrinkage in demand deposits resulted from a deflation arising primarily from conditions outside the field of money. But the underlying theory of Mr. Eccles's bill, as he has expounded it, is that "fluctuations in production and employment, and in the national income, are conditioned upon changes in the available supply of cash and deposit currency, and upon the rate and character of money expenditures." He holds that "during the depression the supply of money did not expand and thus moderate the effect of decreased rates of spending, but contracted rapidly and intensified the depression."

"The need for public control of the function of supplying the medium of exchange for the people of the United States, both by issuing currency and by regulating the volume of bank deposits, seems to be almost a noncontroversial matter," Mr. Eccles asserts. "It is in direct recognition of the constitutional requirements that Congress shall coin money and regulate the value thereof."

This theory the bankers have flatly rejected, and it must be admitted that in so doing they have had the support of a great many experienced economists. Thus to the issue of who should control the money supply there has been added the highly controversial question of just how important are fluctuations in supply.

The banks can directly influence the volume of deposit money by their credit policies. When banks make loans and investments they create deposits and when they call in loans or liquidate investments deposits are reduced. But the banks do not have an entirely free hand in the matter. If, during the deflation years, bank customers insisted on paying off loans, the banks could not be held responsible for the decline in deposits this entailed. More recently we have witnessed an unparalleled rise in bank



The present money market functions of the Federal Reserve System which the new banking bill proposes to change

deposits as a result of the government's policy of financing its deficit by the sale of its securities to the banks in exchange for "book credits."

The controlling factor in determining the ability of banks to expand or contract deposit money is the legal reserve requirement. Member banks of the Federal Reserve System are required to maintain a reserve against their demand deposits equal on the average to 10 per cent. This reserve is deposited with the Federal Reserve Banks. Before a bank can "create" $10 of deposit money through lending or investing that amount, it must have available $1 of reserves in excess of its existing legal requirements.

There are three main ways in which banks can secure reserves. One is to import gold, a second to "rediscount" or borrow from the Federal Reserve Banks, and a third is for the Federal Reserve Banks themselves to put reserve money into the market through "open-market operations"; that is, the purchase or sale by the Federal Reserve Banks of government securities, bankers' acceptances or other financial instruments. When a Federal Reserve Bank buys $1,000,000 of government securities it pays for them by means of a check drawn upon itself, and this check, upon being deposited with a commercial bank, gives that bank $1,000,000 of reserve money which it can make the basis of an expansion of $10,000,000 of its own credit. If the Reserve Bank should sell $1,000,000 of government securities out of its holdings, it would take that much reserve money out of the market, because the check which it received in payment would be debited against the reserve balance of some member bank.

Control over the money supply depends therefore upon control of bank reserves, and the two chief instruments of this control have been open market operations on the part of the Reserve Banks and changes in the rediscount rate.

As the Federal Reserve System was constituted this control was often clumsy in its operation and ineffective in its results because there was no central authority with a clearly defined responsibility for exercising control. The Banking Bill of 1935 seeks to establish the Federal Reserve Board in a position of complete authority over the money supply by placing in its hands the machinery for influencing bank reserves.

In centralizing control in the Federal Reserve Board the bill begins by making the board itself more responsive to the President and by making the operating officers of the Federal Reserve Banks responsive to the board. The Federal Reserve Board consists of eight members, two of whom, the Secretary of the Treasury and the Controller of the Currency, are ex officio members, while the other six are appointed by the President with the approval of the Senate. One of the six appointive members is designated Governor of the board. The bill provides that the designation of the Governor should cease upon the order of the President, which, in effect, means that three of the eight members of the board would be political appointees.

Under the original act each of the twelve Federal Reserve Banks which make up the system has a board of nine directors, of whom six are elected by the member banks and three are appointed by the Federal Reserve Board. One of these three appointed directors is called the Federal Reserve Agent and is chairman of the board. In practice, however, the Federal Reserve Agent has not been the chief operating officer of a Reserve Bank. That office has been held by the Governor of the bank, who is elected by the board of directors.

Under the new bill the offices of chairman and Governor are combined and a new office of Vice Governor is created. It is provided that the Governor is to be elected as before by the directors, but his election is made subject to the approval of the Federal Reserve Board. Selection of the Vice Governor is placed upon the same basis. Thus the chief officers of the Reserve Banks, who had previously been responsive principally to their own directors and, consequently, to their local member banks, are made directly responsive to the Federal Reserve Board, which has power to terminate their incumbency once in every three years when they come up for re-election.

Having established this discipline the new bill proceeds to invest the Federal Reserve Board with powers to direct the operations of the Reserve Banks in control of money. This control involves the use of three methods of influencing member bank reserves—changes in the rediscount rate, open market operations and changes in the legal reserve requirements of the member banks.

Under the original act the Federal Reserve Banks were authorized to establish rates of discount "subject to the review and determination of the Federal Reserve Board." Though in practice the Reserve Board has established its power to initiate rate changes, it has been chary of using this power.

The new bill explicitly invests the Reserve Board with authority to fix rediscount rates, ending any question of its powers over that measure of control. A few bankers have objected to this change on the ground that the record of the Reserve Banks themselves has been better in the matter of rate changes than that of the whole Reserve Board, but on the whole this

point has not been challenged, for it would not greatly change existing conditions.

Open market operations were originally a matter for individual determination and action by the Reserve Banks, but over the years these institutions have themselves developed a machinery for loosely coordinating their purchases and sales of securities. They organized an Open Market Committee, consisting of representatives of each of the twelve regional banks, which met in Washington from time to time and discussed open market policies.

This arrangement was officially recognized in the Banking Act of 1933, but the Open Market Committee has power only to recommend purchases or sales. The Federal Reserve Board has the authority to approve or disapprove the recommendations, and the 108 directors of the twelve Federal Reserve Banks have the right to decide whether their respective banks would fall in with the policies proposed by the Open Market Committee and approved by the board. According to Mr. Eccles, "a more effective means of diffusing responsibility and encouraging delay could not very well be devised."

Under the new bill the Federal Reserve Board is given the power to determine open market policies and the Federal Reserve Banks are required to carry out the instructions of the board in this respect and to undertake no open market operations without the board's approval.

It is this delegation of complete authority over open market operations to a majority of the Federal Reserve Board, three of whose eight members are to be political appointees, that has aroused the greatest storm of criticism. Charges have been made that the bill paves the way for the financing of the government's deficit out of the funds of the Federal Reserve Banks and hence to the possibilities of inflation such as have been experienced in Germany and France. This fear is based upon the belief that under the bill there is nothing to prevent the government from ordering the Federal Reserve Banks to buy an unlimited quantity of government securities directly from the Treasury instead of through the open market.

Direct purchases of government securities by the Reserve Banks would have precisely the same effect upon the money supply as purchases through the open market—but they would relieve the government of all care as to the state of its credit. Under the ordinary methods of financing, the government must adjust its borrowing to what the market will provide. If the government expands its debt too recklessly, the banks and other purchasers of government securities will become alarmed and will not buy. Then the government must retrench until its credit is restored. If, however, the Treasury is able to plunge its hands into the rich pool of credit that constitutes the Reserve System, all restraint upon it would be removed and it could drastically inflate its deficit.

The leading financiers have been unanimous in their denunciation of this possibility. "It was the exercise of this very kind of power," said Owen D. Young, "which led to the currency and credit downfall in Germany and the ultimate destruction of the Reichsbank."

But the proponents of the bill have insisted that there can be no effective control over money without centralized control over open market operations. They contend that the cry of "inflation" is hysterical and point out that if the administration has in mind

setting up machinery for the endless financing of government deficits, without recourse to the market, it already has available $5,000,000,000 of unused funds in the shape of the stabilization fund and the greenback provisions of the Thomas amendment.

The third instrument of control over money—the authority to change member bank reserve requirements—already exists as an emergency measure in a section of the Thomas amendment which provides that if the President declares that an emergency exists, the Reserve Board may change reserve requirements. But the new bill eliminates the necessity for the proclamation of an emergency and gives the Reserve Board sole discretion.

The far-reaching character of this power cannot be overemphasized. Under the system of fixed reserve requirements banks know exactly how far they can go in expanding credit on a given base of reserves. But if the Reserve Board is to be free overnight to require the banks to keep not 10 per cent, but 15. 20 or 100 per cent reserves against their deposits, it thereby has the power instantly to transform a condition of ease in the money market into one of acute stringency.

The bankers hold that this is like asking them to play a game in which the rules are subject at any moment to change without notice. They assert that it gives the Federal Reserve Board the power of life or death over the banks. If the power should be used in a discriminatory way it would mean that every bank becomes the prey of the politically controlled Federal Reserve Board. If a bank should lose favor with the party in power, it might face destruction by the punitive use of the board's powers to change its reserve requirements.

The fears over this section of the bill have been intensified by the known circumstances that certain Federal Reserve advisers, whose theories have strongly influenced the Eccles Banking Bill, have advocated a system of 100 per cent reserves for commercial banks which would, in effect, involve virtual government expropriation of the banks. The bankers fear that this provision of the new bill could be used ultimately to put into effect the 100 per cent plan.

The advocates of the bill contend that the power to change member bank reserve requirements is already in the law and that the new bill merely puts that power into a more usable form by relieving the President of the necessity of declaring an emergency. It is, according to them, an essential means of controlling bank reserves and hence of influencing the supply of money.

There has been, in fact, justification for this provision which neither side of the debate has emphasized. That justification lies in the enormous potentialities for credit expansion that have been created. Open-market operations of the Reserve Banks and gold imports have combined to pile up in the commercial banks a fund of reserve money $2,300,000,000 in excess of existing requirements. This fund, under the existing average reserve requirements of 10 per cent, could potentially be expanded into at least $23,000,000,000 of bank credit.

The existence of this unprecedented fund of "excess reserves" constitutes the real threat of "inflation," and provides the strongest justification for measures of control over bank reserves. In the face of so large a surplus of bank reserves the control afforded by discount-rate action and open-market operations might easily prove ineffective, but the power to

change member bank reserve requirements makes possible complete control over excess reserves. It means that, if it becomes necessary to check a dangerous boom, the Federal Reserve Board could wipe out the entire excess overnight by raising reserve requirements to 100 per cent.

But the bankers argue that it is not so easy for any government to use its authority for the unpopular purpose of checking a boom. All history has shown, they say, that political influence over money and credit is directed in only one way—toward expansion.

There are, of course, other important features in the new bill apart from those directly concerned with the control of the money supply. But many of these stem out of the control provisions and the discussion they have aroused has been dwarfed by the larger implications of the main issues.

The bill provides for the liberalization of discounting activities by the Reserve Banks so as to make "any sound asset" eligible, in place of the previous restricted list of assets. It also abolishes the previous legal requirements for commercial paper collateral behind Federal Reserve notes, substituting therefor a provision making the notes a first and paramount lien upon all of the assets of the Reserve Banks. These changes place a new emphasis upon managerial discretion instead of the old system of "automatic controls."

Still more, these changes emphasize the fundamental effect of the measure, which is to convert the Federal Reserve System from its original form, described by President Wilson as a "democracy of credit," into a central bank, more like European institutions of the kind. With all important powers delegated to a central authority in Washington, the semi-autonomous Federal Reserve Banks become merely branches of the unified system.

New York's paramount interest in such a plan to centralize control over the money system is obvious. Long before the Federal Reserve System was thought of, New York became the nation's money market—the reservoir into which flowed the banking resources of the country. It is here primarily that the demand for credit has been matched against the supply and the price of money determined.

The original Federal Reserve Act was expected to curb New York's dominant influence over credit by centralizing bank reserves in the twelve Federal Reserve Banks instead of permitting them, as previously, to flow into the big city banks. But it has not succeeded in that objective. On the contrary, the Federal Reserve Bank of New York, by virtue of the fact that it holds about one-third of the resources of the Federal Reserve System and because of its strategic location in the money market and the character of its management, has become more important than all the other Federal Reserve Banks put together.

This has not arisen from any machinations on the part of the New York bankers. It has been an inevitable development, paralleled in other countries. In every nation one city becomes the money market. But the United States is unique among great nations in having its financial capital and its political capital in two different cities. If Washington, like London and Paris, were the money market of the nation as well as the seat of the government, the debate over the banking bill might have taken a different course.

War Veterans and Bonus Politics

By TURNER CATLEDGE*

WHEN the Senate on May 23 upheld President Roosevelt's veto of the Patman "Greenback" Bonus Bill, the movement for cash payment of the World War adjusted service certificates—which is not due before 1945—was halted at the furthest point of its steady advance since 1930. But apparently the halt was only temporary. From the time a bonus for World War veterans was first mentioned seriously until the recent action of the Senate no President has been able to withstand the veterans' pressure.

Despite Mr. Roosevelt's unprecedented and dramatic appearance before a joint session of Congress on May 22 to deliver his veto message and his simultaneous radio appeal to the country, he was sustained only by a minority. The House promptly overrode his objections by an overwhelming vote. The Senate voted, too, 54 to 40 to disregard his protestations, but the forty negative votes were sufficient to prevent enactment. The bonus question, therefore, now appears as far from settlement as it did after President Harding's veto of the original act in 1922. Then—as probably today—it was only a matter of time before the Presidential objections were overridden in favor of the ex-service men.

When in 1917 the United States began to organize for war, a wise and long-headed administration sought to make every possible provision for the future welfare of the soldiers. It asked, moreover, how it could insure in advance against a recurrence of the pension graft that had followed every war, from the Revolution to the Spanish-American conflict. The War Risk Insurance Act of October, 1917, was regarded as the answer. The men were insured against disability or death incurred in service and provision was made for their rehabilitation when they returned to civil life. Concurrently, the government undertook to adjust the enlisted man's pay, offering to match dollar for dollar the amount he allotted to his family while he was away from home.

The basis for this act was the acknowledgment by the government of an obligation to those who risked their lives in defense of their country. There was no thought, neither in the minds of the legislators nor of the men who were marching away to war, that a debt in dollars was due those who returned unscathed from what was then regarded as a patriotic mission. The War Risk Insurance Act was accepted as an ideal. It was hailed as effective, preventing a "pestiferous pension graft" in the future. But it was not to suffice. As wise and long-headed as were its framers, they had not discovered then, nor has there been found since, the way to meet the emotional appeals of self-seeking politicians.

A movement for a soldiers' bonus started the day the war ended, for a bonus bill was introduced in Congress within an hour after the armistice was signed. At first there was a general feeling throughout the coun-

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American World War Statistics

Total number in military forces	4,326,929
Total overseas	2,151,644
Killed in action	38,714
Died of wounds and other causes	21,342
Wounded and missing	234,878
Invalided from service	17,041
Total casualties	311,975
Bonus certificates in force	3,677,000
Face value of certificates	$3,500,000,000
Loans on certificates	$1,700,000,000

try, springing from a deep sense of gratitude, that something should be done to help the men find their way back into civil life. It was this that prompted the enactment of the first bonus law—a rider to the Internal Revenue Act of 1919—providing a discharge allowance of $60 to each soldier as he left the service.

This merely started the bonus agitation. As the men were discharged from the army they returned in jobless droves to every section of the country. Soon petitions for relief began pouring into Washington. Within a year nearly 100 bonus bills were introduced in Congress. Out of the urge and confusion grew organizations to carry on the fight, and there also developed the theory upon which the present bonus was founded—namely, that adjustment should be made to the veterans for the small pay they received in the army in contrast to the higher wages and profits reaped by those who stayed behind in the factories, munitions plants and private business.

The drive was first directed toward the State Legislatures. Soon after the war many individual States enacted legislation providing additional special bonuses. Between April, 1917, and June, 1930, more than $500,000,000 was distributed among World War veterans by their own States. But politically ambitious veterans and their political advocates were not to be satisfied by State aid. The Federal Treasury was likely to be more fruitful, and pressure was turned upon the government for more generous grants. The claim they presented was easy to justify with the rank and file of citizens. The contention that those who stayed at home in private employment enjoyed special privileges and unwarranted remuneration was accepted. President Roosevelt has accepted it also, describing this contention in his veto message as "true—bitterly true."

The agitation continued from 1920 until 1924. In 1920 a bonus bill passed the House by a 3-to-1 vote but was smothered in the Senate Finance Committee. Another bill was presented in 1921, but likewise was killed by the Senate after President Harding made a dramatic personal appearance before that body and urged "delay" in legislation of this type in order to avert "disaster to the nation's finances" in a time of economic stress.

After the Congressional elections of 1922 President Harding signified his willingness to approve a bonus bill if a tax were levied to pay the cost. He suggested a sales levy. When a bill was passed by both houses, but without the revenue provisions, he promptly vetoed it. The House overrode his objections by a 5-to-1 vote, but the Senate sustained him by a slender margin.

The final bonus bill—the World War Adjusted Compensation Act—was passed in 1924 over the veto of President Coolidge. He raised the protest that "we owe no bonus to able-bodied veterans of the World War." This law

was intended to provide veterans not with cash, but with paid-up twenty-year endowment policies that would furnish security for their old age and protection in the meantime for their dependents. It was never intended by Congress, nor by the veterans' leaders who helped frame the act, that these certificates should be due or payable before the end of the twenty-year period.

The act offered to each veteran below the rank of major in the army and lieutenant commander in the navy adjusted service credits of $1 a day for home service and $1.25 a day for overseas duty. The total was to be increased arbitrarily by 25 per cent as additional compensation for the deferred payment, and the whole amount, as thus augmented, was to be kept at 4 per cent compound interest for twenty years, when it would reach the "maturity" value shown on the face of each certificate. But congressional leaders repeated the mistake made in the War Risk Insurance Act in 1917. They thought they had settled the question, and the responsible leaders of the veterans apparently agreed, declaring that they had wanted nothing better. They spurned the idea of a cash bonus, which one of them described as "too much like a gift or a present from the government."

For six years the bonus question rested. Several months after the act was forced through only 1,300,000 of the 4,600,000 eligibles had applied for their certificates. Neither the veterans nor their Congressional advocates made any serious attempt to force prepayment of the bonus. These were boom years; ex-service men, enjoying their share of the "good times," seemed content to return to Congress men devoted to continuing prosperity.

But with the economic pinch of 1930, the cash payment movement started, and by 1931, its growth had become so formidable that a conservative Republican Congress was stampeded into enacting, over the veto of President Hoover, a law allowing veterans to borrow up to 50 per cent of the maturity value of their certificates. A personal appeal by President Hoover to the American Legion convention in the Fall of the same year prevented that organization from demanding bonus payment at the next session of Congress. But the movement was gaining momentum as the depression deepened and the hardships of ex-service men multiplied.

The issue flared up dramatically in the Spring of 1932 when a ragged, penniless mob of 20,000 men and women — the "Bonus Expeditionary Force"—invaded Washington. They began gathering in June and remained in the capital, squatting on vacant lots and in the boggy flats of Anacostia, until the regular army drove them out of town with tear gas, tanks and bayonets. While the B. E. F. was encamped within sight of the Capitol, the Patman Bonus Bill, practically identical with the one recently vetoed by President Roosevelt, came to a vote. The House gave its approval by a 5-to-4 vote, but in the Senate the nays had it, 3½ to 1. Meanwhile, the party conventions had ignored the bonus, and in the ensuing Presidential campaign both candidates were hostile to its being paid.

Efforts to stir up the bonus issue in the special session of 1933 were abortive. Congress, too much concerned with lifting the country as a whole out of the depth of the economic depression to listen to the pleas of any special group, defeated a bonus amendment offered to the Ag-

ricultural Adjustment Act. But in 1934 the Patman Bill was brought forward again. The House discharged its Ways and Means Committee from considering it when it became apparent that the committee would not report it, and forced a vote on the floor, where it was passed by a margin of 2½ to 1. It was then halted again in the Senate, by a margin of 5 to 3 against it.

Although forty-five Senators who voted against the Patman Bill in the Spring of 1934 were returned to their seats in November, 1934, conservative leaders early abandoned all hope of preventing that body from passing some sort of bonus bill in the 1935 session. A counting of noses among Senators, old and new, showed that enough had given pledges in the Congressional campaign to make adoption of prepayment legislation a certainty.

Thus, when the present session was convened, the only questions to be settled regarding the bonus were, first, the form, and, second, the strength for enactment over a certain Presidential veto. A single stroke answered both questions. Out of all the disputes over the form of the measure both houses finally adopted the Patman "Greenback" Bill, proposing payment of the full maturity value of the adjusted compensation certificates in currency printed for that purpose. This was a bill which President Roosevelt could and did veto in the strongest of terms, one whose currency novelties permitted Senators to sustain the veto.

The President's objection to the Patman Bill were set forth in what has been widely characterized as so far the strongest State paper of his administration. He left little doubt that he would veto any bill for cash payment of the bonus before 1945. Apart from the inflation issue involved in the Patman Bill, he took up and refuted the arguments advanced for cashing the certificates now, reasserting the principle that veterans, simply because they wore a uniform during the war, are not entitled to special consideration. He contended specifically that prepayment of the so-called bonus would violate the principle of veterans' benefits carefully formulated during the war, as well as the entire basis of the Adjusted Compensation Act of 1924.

No President, with the technical exception of Mr. Harding, has been able to stand successfully against the bonus pressure, and there is no convincing evidence that Mr. Roosevelt, despite his dramatic victory of May 23, will be any exception. President Coolidge vetoed the original act and it was later enacted over his objections. President Hoover in 1931 disapproved the amendment extending the loan value of the outstanding certificates, but his veto was overridden. President Roosevelt has resolved all doubt as to his position. Not only has he re-echoed the warnings of his three predecessors—that the veterans are pursuing a short-sighted policy in demanding a gratuity simply because they have the power to do so—but he has made his language fit the situation of today.

The veterans, nevertheless, comprise probably the largest and most closely knit "special pleader" groups in the United States. Their leaders know full well how to apply pressure to individual Representatives and Senators. They are expert in the use of political fright. More than 3,500,000 people of voting age would be directly affected by bonus legislation, and they wield a political influence upon at least that many more. The type of agitation that has been car-

ried on among the veterans by their so-called political friends has made it impossible for the President or any one else to reason with them. They have been told repeatedly that the amount of their certificates has been due and payable for several years and that it is being withheld by their own government.

Much of the bonus agitation in recent years has been attributed to a misunderstanding occasioned by the form of the adjusted compensation certificates. Brig. Gen. Frank T. Hines, Administrator of Veterans Affairs, has lately complained:

"There seems to be an opinion widely prevalent that the amount shown on the face of the adjusted service certificate—as being due in twenty years from the date of issuance—represents the adjusted service credit of $1 and $1.25 a day. In fact, that figure spoken of as the amount of adjusted service certificate really represents the 'maturity value' of a twenty-year endowment life insurance policy. Actually that is what the adjusted service certificate is, and that is what Congress intended and desired the veterans should receive. The 'maturity value' stated on the face of the certificate in the average case represents approximately two and one-half times the adjusted service credit computed on the basis of $1 and $1.25 a day."

But no amount of such reasoning, even by one who is so highly regarded as General Hines, could now convince the average bonus-seeker that the amount stamped on the face of his certificate is not due, and due now.

Approximately 3,677,000 adjusted service certificates are now outstanding, with an aggregate maturity value of about $3,500,000,000. Of this number more than 3,000,000 have been pledged as collateral for loans amounting in the aggregate to more than $1,700,000,000.

Whenever the time for payment comes, whether in 1945 or earlier, there will be a well-nigh irresistible urge to forgive or rebate the interest that has been accumulating on loans made to veterans against their adjusted service certificates. President Roosevelt has been emphatic in condemning any plan to rebate interest on the bonus or any other debt due the government. The same pressure, however, that could force cash payment of the certificates before their due date in 1945 could force a rebate or cancellation of interest. In fact, the two proposals most favored by Congress—the Patman and Vinson bills—both provide for cancellation.

If repayment of the adjusted service certificates is forced upon Congress, President Roosevelt, at least, has little doubt that the "pestiferous pension graft" will then be upon us. "I do not need to be a prophet," he said in his veto of the Patman Bill, "to assert that if these certificates, due in 1945, are paid in full today, every candidate for election to the Senate or to the House of Representatives will in the near future be called upon in the name of patriotism to support general pension legislation for all veterans, regardless of need or age." If prepayment of the certificates is voted by Congress, it will not take a prophet to predict what Congress will do when called upon for pensions.

Mussolini's African Adventure

By IGNATIUS PHAYRE*

ITALY for over fifty years has looked with longing eyes upon the land of Abyssinia. This tropic storehouse of coal and iron and copper, oil and cotton, sugar, coffee and grain is what Italy needs to compensate for a poor soil, a teeming population and scanty outlets overseas for her unbounded national energy. So vital has become the urge for African expansion that Italians are ready to face a rupture with the League of Nations, if it should decide that they are wrong in seeking in Abyssinia what they think is their right.

It is a long way—much longer politically than in point of time—from the Italy of Francesco Crispi to that of Benito Mussolini. What Mussolini, the ablest constructive statesman of our post-war period, has done for his people, spiritually as well as materially, is a miracle to those who knew the languor of Italy under the old régime. Yet he feels that this is not enough. A still greater guerdon would be a rich colonial empire with all the resources that are to be found on the Abyssinian plateau.

An anarchic land is Abyssinia, where society is based upon chattel slavery, where roads and bridges do not exist and where, outside the few scattered towns, rock salt passes as money. A forgotten Christian polity is here, trailing away to African savagery in the lowlands—Moslem and heathen—to say nothing of a metropolis where the very elements of sanitation are still left to the hyenas and pariah dogs of the dusty lanes or the eucalyptus woods beyond.

So Italy adds to her other pleas for a free hand in Abyssinia her mission as an agent of our common civilization in the last stronghold of African negation. Her voice on this score is very loud. Mussolini has a well-drilled propaganda department under his son-in-law, Conte Galeazzo di Ciano. Italy's "case" is made to ring through the Old World and the New, while Addis Ababa's is hardly heard at all; it is like the tinkle of an alpine cowbell beside skilled radio broadcasters whose news and views cover the whole earth.

Mussolini is Italy. All power is his; and the note of him is pride—as a study of his own writings and speeches reveals. Pride is even more apparent when this magical mover of men's minds thrills the Chamber with "the character and extent of our precautionary measures" at Ethiopia's anxious door. In this, he insists, "nobody can arrogate the intolerable claim to intervene in our concern." Only Italy may judge in so very delicate a matter, this Italy that "has in her history a dramatic, bloody and unforgettable experience on this point."

Here Mussolini alludes to Menelik's utter defeat of General Baratieri's army in 1896, and the humiliation and shame which that rout entailed at home and abroad. Then, as now,

*The author of this article is a British observer who knows Italy and Abyssinia at first hand and who has met both Mussolini and the Emperor Haile Selassie.

the subjugation of Abyssinia was the goal. But Menelik, King of Shoa, lay in wait for the invaders with 90,000 of his men strongly posted in the hills above Adowa. One after the other, Baratieri's four brigades were overwhelmed, cut up or captured.

Vengeance for that colonial disaster is a live motive in the present Italian ferment. "Adowa" was chalked on the troop trains at Messina and Naples during the recent mobilization with fervid vows to wipe out that disgrace. Those fierce Shoans, Amharas and Gallas had mutilated their white prisoners, and from that day to this, hatred, mistrust and contempt have marked the relations between Abyssinia and Italy.

Last November Captain Roberto Cimmaruta, addressing native levies amid the mimosa-scrub and limestone of the Somali marshes, said:

"The British have come with the Abyssinians to Walwal. But you Somalis are as lions; and if lions meet prey on the path, they leap at the throat and kill it! You will do the same. * * * Now I go to speak with these people, and to see what they want. Hitherto my airplanes have come, but armored cars will come also, each one with three guns. When these are here, you will not need to make war upon the Abyssinians, for the machines that run on land and machines that fly in the air will alone suffice. Then you shall see what I can do. I will grind the Abyssinians like coffee."

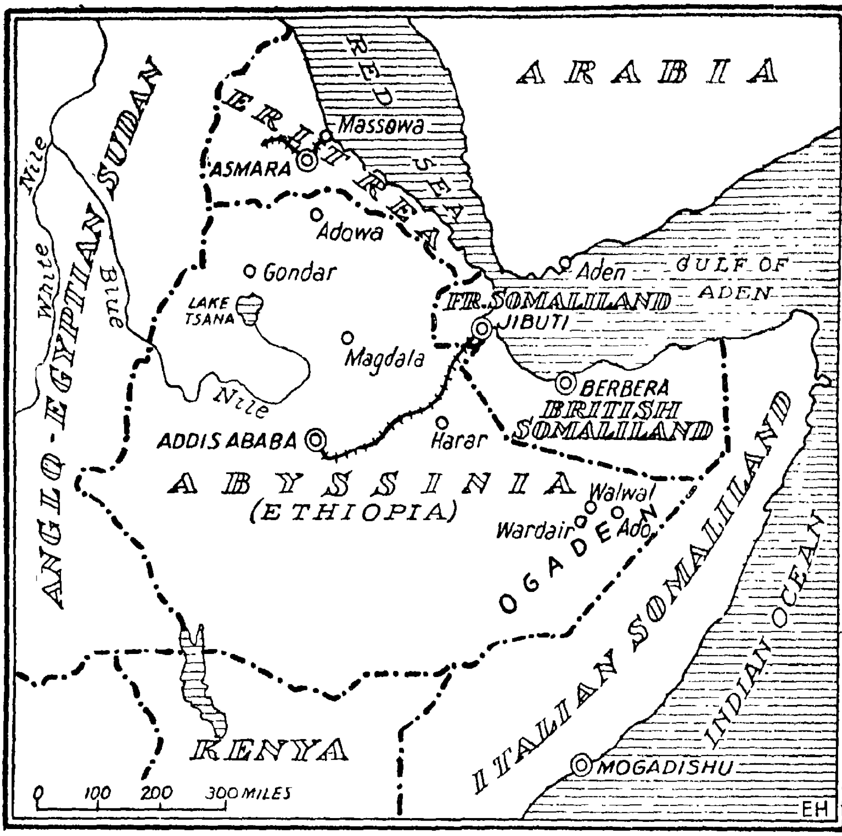
Such is the testimony sworn on the Koran by a deserter from Cimmaruta's own troops and given to members of the Joint Anglo-Abyssinian Boundary Commission, sitting at Haradijit on Dec. 11, 1934.

Six days before this testimony was given, Captain Cimmaruta's force had opened fire without a moment's warning, and with tanks and aircraft in support, upon the Joint Commission's escort at the Walwal wells. At the moment of onset the Abyssinians were in their tents or grazing their horses on the plain. Shrill whistles blew, and the orders rang out: "Ready—Aim—Fire!" At the first volley Fitaurari Alemayehu fell dead, and with him many other officers. All told, Abyssinia's killed were 107 men, with 45 others wounded.

There were five British witnesses; and the report of their commissioner —Lieut. Col. E. H. M. Clifford of the Royal Engineers—is conclusive as to the origin of an affair that has had so many complications. Both Clifford and his Abyssinian colleague, Fitaurari Tessama Bentie, were astonished to find their passage barred by an Italian force "armed with modern rifles." The British Mission thereupon hoisted its flag, and a joint letter was sent to Captain Cimmaruta at Wardair, "protesting against aggressive opposition of the Italians in Abyssinian territory."

"The British Mission," Colonel Clifford goes on to say, "made every effort to arrive at an equitable solution, but was constantly thwarted by the unconciliatory and disobliging attitude of the Italian officer. This may be judged from his remarks, several times repeated: 'Take it, or leave it.' And also by the threat that, in case of refusal, he would 'send for several hundred soldiers.' "

Now came two Italian airplanes flying low over the two missions, "who were busy at the moment with Captain Cimmaruta. During the last series of dives, one of the crew of airplane S. O. 4 was seen training a machine-gun on the commission." Colonel Clifford then "expressed to Captain Cimmaruta his great indignation at this provocative demonstra-



Abyssinia, where Mussolini claims a free hand

tion," and Fitaurari Tessama Bentie asked how such conduct agreed with the Italo-Abyssinian Treaty of Amity and Conciliation of Aug. 2, 1928.

All Cimmaruta's letters were truculent. Thus on Nov. 23, 1934, he wrote in Arabic—a language which the recipient could not read: "To the Commander of the Amharas"—Fitaurari Sheferra Balcha, Governor of the Ogaden. "Understand me well. Until I convene thee for a parley, I beg thee not to provoke any incidents with the troop now at Walwal. If thou hast anything to do with us, apply to me at Wardair. Understand that well. And I wait thy reply."

Three days later that same Abyssinian Governor received another letter—this time in Italian. "You have asked," the captain wrote, "that we should refrain from any act of violence. I have done so. I am ready to receive you, and can have you escorted to Galadi. Yesterday I went to Walwal to tell you of this, and also sent a message through a *capo shefta* [chief brigand, or bandit!] of your own. But I have received no reply." Who would believe that such language could be used by a foreign trespasser, just then fully sixty miles within Abyssinian territory, to a high dignitary of that ancient empire?

The "act of violence" was not long delayed. Italian airplanes followed it up by dropping five more bombs on the Boundary Mission's luggage at

Ado, where Ato Ali-Nur had been left in charge after the retreat.

News of this tragedy was dispatched from Haradijit on Dec. 9 to the Palace Chamberlain and Foreign Minister in Addis Ababa—Belathen-Gueta Heruy Wolde Selassie. To him promptly came Signor Mombelli, the Italian Chargé d'Affaires, with a very different version: "Armed Abyssinians have attacked us without warning, and in force. Our killed and wounded are not yet known." The Emperor's attention was urgently called to "so grave and gratuitous an aggression." Pending further instructions, Mombelli was "to register the most emphatic protest" against an outrage "for which the Royal Government intends to exact ample apology and complete reparation, which it will define as soon as possible."

Replying to this in an Amharic dispatch dated "Kedar 30th 1927" (Dec. 9, 1934), Foreign Minister Heruy invoked "Article V of the Treaty of Amity and Arbitration between our two governments." On Dec. 11 Signor Mombelli was instructed to say that "Captain Cimmaruta's conduct was quite correct," since "there can be no doubt that Walwal and Wardair belong to Italian Somaliland." And again: "Armed Abyssinians, without any provocation, launched an attack in force upon our post; consequently the responsibility for this sanguinary clash lies entirely with the Abyssinian Government."

Next came the terms of "a formal apology and reparations commensurate with the serious losses and damage we have sustained": (1) Gabre Merrian, Governor of the Harrar, will proceed to Walwal, there to make due amends, while his troops render honors to the Italian flag; (2) the Abyssinian Government will pay to the Royal Legation in Addis Ababa a sum of 200,000 Maria Theresa dollars for our heavy losses in dead and wounded (the Maria Theresa dollar has a nominal value of about 50 cents); (3) all persons concerned in this attack must be arrested and deprived of their commands. They will be present at the flag ceremony, and thereafter must undergo suitable punishment.

The Foreign Minister thereupon proposed "an arbitral tribunal" to settle the matter in the interests of our two countries." The Emperor was most anxious about this. The Italians, however, sharply declined—"so definite and clear" were the facts of the affray "that there can be no doubt of its nature as a surprise attack. Therefore, Article V of the 1928 treaty could not apply in so flagrant a case. "The Italian Government must insist that the reparation and apologies due to it shall be made without delay, at the same time renewing its former demands."

Then for the first time Balathen-Gueta Heruy sent an appeal by radio to the Secretary General of the League of Nations. In a few lines the salient facts were set out, with "the gravity of the situation" stressed and "detailed confirmation and documents to follow."

Six months elapsed. During that time Mussolini withdrew his civil Governors from Asmara, in Eritrea, and from Mogadishu, on the Indian Ocean, and replaced them with the ablest soldiers he could find—General Emilio de Bono and General Rodolfo Graziani. At the same time a large modern army was sent to Massowa, 2,500 miles away, and to the Somali post, which is almost as far again. Such steps could portend only one of two things: An armed invasion of the old highland empire, or demands upon Haile Selassie I which that cultured and all-too-progressive little monarch

could never accept without losing his throne.

If Crispi forty years ago was over-eager to seize his prize, Mussolini has outdone him by transporting a large army at heavy cost to Massowa and Mogadishu, with port facilities of the slimmest and waterless deserts beyond where for centuries nomad tribes have "followed the reins" with their cattle and camels. His first desire is to unite useless Eritrea with far-off Somaliland by a new railway—as the tentative pact with Great Britain in 1925 sought to do.

But Mussolini's adventure is not wholly the concern of Italy and Abyssinia. In 1923 young Ras Tafari, the present Emperor, squeezed Abyssinia into the League of Nations on the promise that he would abolish chattel slavery. When Lord Noel Buxton and Lord Polwarth went out to Addis Ababa in 1932 to see Haile Selassie on this question, little or nothing had been done, for the Emperor's anti-slavery edicts are no more than pious wishes. His feudal lords go their own way in a vague federation where the dominant race have no love for labor, and their Galla serfs on the land are a gay and carefree lot, knowing nothing of the outer world.

A grave and graceful figure is the little Emperor; a man of hieratic pose, speaking perfect French and even fair English. His one desire is to be left in peace, hoping by degrees to educate and uplift his very "mixed" peoples. He leans to white nationals who have no ulterior motives in regard to Abyssinia. Belgian and Swedish officers have drilled and modernized his army. Norwegian doctors and nurses staff new hospitals copied from those the Emperor saw in Paris and London during his European tour in 1924. A Swiss jurist advises his Slave Courts. To American engineers the Emperor looks for roads and bridges in the chief towns. His prospecting geologists are either Germans or Anglo-Egyptians. And after years of doubt and hesitation, the building of the famous barrage works at Lake Tsana, in the Gojam Mountains, was entrusted to the J. G. White Engineering Corporation of New York.

That much-debated dam was designed to conserve the waters of the Blue Nile upon which the Sudan's economic life and Egypt's own must always depend. Nothing has yet been done, however, to that vital flood which has figured in Anglo-Abyssinian pacts since 1902, when old Menelik agreed not to interfere with it without Great Britain's consent.

Here, then, is a further tangle in this Abyssinian affair. Italy offered to press Great Britain's claim to build this dam if Downing Street would in turn help Italy with the Eritrea-Somali railway concession. But this line would ruin the Jibuti-Addis metre-gauge of France, which has long carried most of Abyssinia's trade.

British possessions have for many years been harried by Abyssinian raids for cattle, ivory and slaves, and these the Emperor has been powerless to prevent. It was these forays which Mussolini's assistant, Signor Lessona, had in mind during the recent Abyssinian debate in the Italian Senate. To that Under-Secretary of State the long-marooned empire loomed as "a permanent danger to adjacent European colonies." France had suffered serious outrage; "Great Britain can present a long list of bloody invasions and slave-drives in Kenya and the Sudan." Clearly then, "it was Fascist Italy, as the power primarily interested in Abyssinia, which was today defending the lofty cause of civilization over there in the general interest of Europe."

Nor will Mussolini himself brook any outside dictation, howsoever suavely put, in "the timely forethought" he is showing in landing troops "though the number of workmen sent to East Africa perhaps exceeds the soldiers." Mussolini prefers "the reproach of having erred on the side of excess, rather than to fall short when the security of our colonies, and the life—be it only one, of our home or native troops—might be endangered."

This being so, the strictures of the Conte di Ciano's press show a notable lack of humor. In the *Giornale d'Italia,* Virginio Gayda assails all those who inspire and aid the "mad war preparations of the Abyssinians." In a few weeks, we are told, 10,000 mausers, 200 machine-guns and 2,000,000 cartridges were delivered to them. And quite openly the Emperor went down to Jibuti—nearly 500 miles from Addis—to receive yet more munitions from Liége and Prague. Germany, too, was said to be sending chemicals for gas, as well as Junker airplanes. And in Berne, Italy's Minister complained to the Federal Government about the sale of passenger aircraft by a Swiss air concern.

Yet Abyssinia is still confused and crude, an unknown force even in her own defense, as her many appeals to Geneva have shown. The note of mid-May begged the League Council to consider Italy's "warlike preparations" in sending shiploads of troops and material. "Moreover, the official speeches which accompany these acts leave no room for doubt as to the hostile intentions of the Royal Italian Government." Unfortunately for the cause of peace, Mussolini has slight respect for the League and has often jested at its merely "moral" sway.

In Addis Ababa, Count Vinci invited the Emperor "to choose arbitrators of Abyssinian nationality." But Haile Selassie was not so simple as all that. He preferred "persons of complete independence, high repute and undisputed authority and experience on arbitral tribunals." His final choice were the two jurists, one French and the other American, who have all along acted as advisers to the Abyssinian delegation in Geneva.

The government in Addis Ababa has throughout affirmed its pacific intent. And the May note to the League carried "the request they have frequently made since the Walwal incident—that arbitration shall be at once resorted to. And they pledge themselves, without reservation or reticence, to submit to impartial decision, whatsoever that decision may be."

Yet the facts are undeniable: Walwal and Wardair, as the prime cause of conflict, are well within the Abyssinian zone. As such, they were acknowledged by Italy in 1897, and formally embodied in Article IV of the treaty of May 16, 1908. Here it should be noted that in the forthcoming commission Italy desires to rule out any reference to these boundary treaties.

After his crushing defeat of the invaders at Adowa, Menelik fixed the Somali limits with Italy's agent, Major Nerazzini. On Sept. 3, 1897, the President of the Council in Rome, together with the Ministers of War and Foreign Affairs, sent the Emperor a joint telegram, informing him that "the new frontier line has been approved by the Italian Government." It was thenceforth to follow the windings of the Indian Ocean at a parallel with these of 180 miles. Moreover, the 1908 treaty bound "the two governments to delimit the said line on the ground as soon as possible."

That work was never carried out, chiefly because Menelik was for years occupied in welding his rule at home over warrior lords whose age-old power was at an end. So the "gradual encroachment" of the present Emperor's continuous plaint became a matter of course, with Italian roads, fortified posts and radio stations pushed by degrees into undoubted Abyssinian territory. Walwal and Wardair—this last point occupied and held by Italian native troops—lie 240 miles from the coast in the Somali Ogaden. Yet Article IV of the 1908 Italo-Abyssinian pact distinctly says that "the whole territory of Ogaden shall remain a dependency of Abyssinia."

So stands the conflict, with right on one side, might on the other—and important British and French interests in between. The tripartite pact of Dec. 13, 1906, lays down in its preamble that "the common interests of France, Great Britain and Italy being to maintain intact the territorial integrity of Ethiopia * * * in any event, none of the three governments shall intervene in any way whatever, except after an understanding with the other two."

No wonder, then, that these "other two" are perturbed. Mussolini has seen fit to send an army overseas without any such "understanding," and, without the shadow of doubt, Ethiopia's "integrity" is about to be assailed. True, Mussolini is all for peace, but it must be on his own terms.

Europe, he has assured us, need not fear that the African venture to which he is now committed will in any way weaken or distract his councils nearer home. He points to "our military machine," now 900,000 strong, and tended "with our most vigilant care." But how will Italy's finances bear such a strain if a colonial war is to be added to it in so forbidding a terrain. An area of 400,000 square miles, roadless, rugged and wild, with every man's hand—12,000,000 of a fighting race—against white invaders of peculiar odium ever since the terrible battle of Adowa nearly forty years ago?

Mussolini's headiness is manifest from his own public speeches. There is in him much of the Mazzini-Garibaldi dash, but no Cavour is in sight to pick a prudent path among the hazards of these troublous times. A strong and fearless leader, he embarks on high African risk in the spirit of his Florentine mentor, Machiavelli. After all, Mussolini reasons, a protectorate would be a godsend to these primitive and backward Abyssinians. Italy could do more to lift them out of what Signor Lessona sees as their present "disorder and anarchy" than their own well-meaning monarch can ever hope to accomplish within the limitations of his life and power.

Today's new Italy is the pride and glory of a single man. Yet Mussolini plainly hopes to crown it by seizing a rich African domain, one that may free his people from what the Fascist Grand Council styles "our war-servitude," that is, dependence upon foreign supplies. Of such a possession this impetuous dictator dreams. Neither Tripolitana nor the meager colonies further East can ever give it to him, but uplifted Abyssinia would be a priceless memorial to leave to his beloved Italy when he himself has passed.

South Africa Becomes a Nation

I—The Struggle for Independence

By FRED CLARKE*

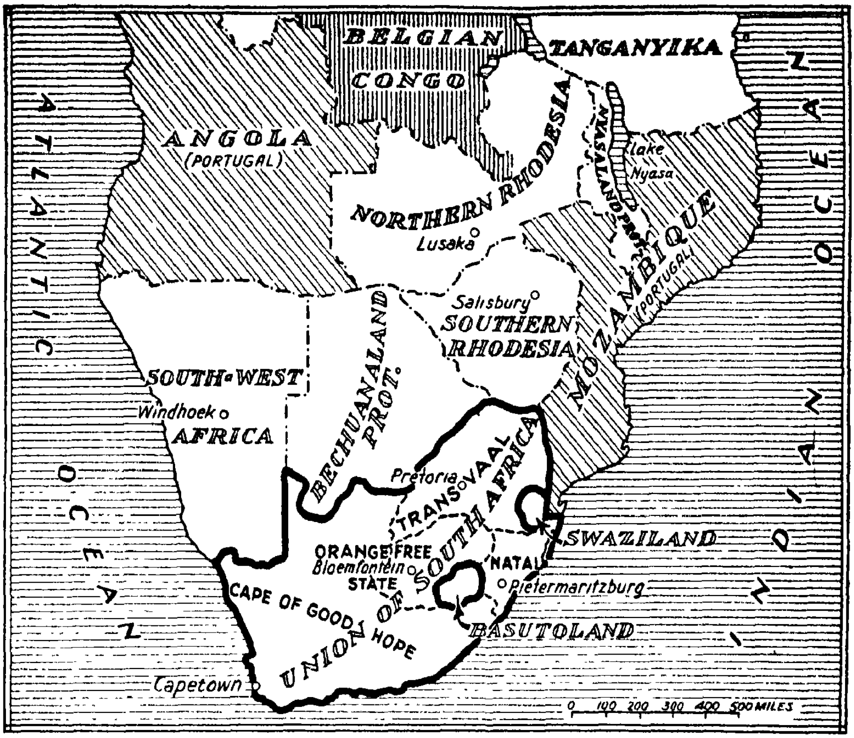
RECENT developments in South Africa have again made people ask whether the British Empire is breaking up. Without attempting to answer that question, one can have no doubt as to the importance of the Status of the Union Act, which received royal assent on June 22, 1934.

This new law has a bearing on the whole future of British imperial unity for various reasons. The Status Act is really a restatement and far-reaching amendment of the Constitution granted to South Africa by Great Britain in 1909; it refers explicitly to the Union as a "sovereign independent State"; it is accompanied by a Seals Act under which His Britannic Majesty remits the Great Seal and the Little Seal for the free and exclusive use of his South African Ministers.

The Status Act is the work of a coalition government headed by two old antagonists, General Hertzog and General Smuts. This coalition came into existence after a period of acute party bitterness following upon Great Britain's departure from the gold standard in 1931. The government then in power was the Nationalist party administration headed by General Hertzog. It decided that South Africa should remain on gold and not cut loose to link with sterling. Apparently it was believed that the departure from gold by Great Britain would not in any case last long; that South Africa, as a great gold-producing country, had a strong interest in maintaining the credit of its staple commodity, and that any temporary injury that might be suffered by exporters of farm products could be dealt with by appropriate measures. Nevertheless, the trade of the Union was thrown into confusion and some powerful interests suffered severely.

The South African party—the opposition led by General Smuts—seized the chance to accuse the Nationalist government of sacrificing the economic interests of the people to a perverse and childish desire to take a line different from that of Great Britain. In South Africa for the last thirty years any political issue, whatever its origin, has inevitably assumed the one standard form of a conflict about the country's relationship to Great Britain. This has been, in fact, the fundamental issue determining the cleavage of parties. It seemed, therefore, that once more the old struggle would be waged with even more than the usual fire and bitterness. The Nationalists retorted that Smuts and his party were always eager to drag South Africa at the heels of England. The gold standard, though not forgotten,

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The territories comprising British South Africa and including the now "sovereign independent State" of the Union of South Africa are indicated by the unshaded portions of this map.

became the pretext for rather than the cause of a traditional fight between Boer and Briton.

Meanwhile, real injuries arose from the policy of the government and weakened its position in the country. It soon became clear that, if an election could be forced, General Smuts would have an excellent chance of winning. But he could win only by stirring up the old barren and disastrous racial passions, and more and more of the younger South Africans were out of humor with the game. Also, he would come in with a most inconvenient group of Natal die-hards, dyed-in-the-wool Britishers who would be the source of endless trouble. Hertzog, too, would have his group of doctrinaire republicans and vociferous representatives of the insatiable demands of the ever-hungry "poor whites." Moreover, though this was not avowed, departure from the gold standard would present the mining interests quite gratuitously with a very handsome premium on gold, unless there were a government strong enough to take a large part of it in special taxation. No mere party government could do this.

Behind all the immediate reasons for some kind of party truce, however, there was a powerful movement among the younger South Africans. Not only had a great improvement in temper taken place; there were undoubted signs of much more realism, much less romanticism; of a more calculating regard for the future and less sentimentalism about the past; of a keener sense of the pressing needs of social

and economic construction which tended to be neglected amid racial and constitutional struggles, and especially of a strong desire to be done with the old racial animosities once for all. The younger men demanded that these matters be permanently settled so that they could "get down to the real business of modern government."

So coalition came about. While the battle was on in Parliament the leaders conferred in private and agreed upon a basis of cooperation. The only possible basis was a settlement of those questions of constitution and status which have divided parties in South Africa for the last thirty years or more. The Status Act is the result. While the bill was passing through Parliament active groups on both sides, encouraged by the success of the instrument of peace, pressed for more than coalition. They wanted nothing less than a complete fusion of the parties. This, too, has now come about, after a period of "trial marriage" of about two years.

The political development of South Africa since the Boer War, which has now culminated in the Status Act, is to be followed through two channels. One is the course of political and party history in South Africa itself; the other that of constitutional development in the British Commonwealth at large. These two streams are very intimately related. Throughout the period South African politics has always turned on constitutional questions. Relation to England, degree of independence, the status of the Boer people with a distinctive language and culture in their own country: such are some of the issues.

South African politics thus turns on fundamental questions about the relations and structure of the State itself and involves deep-seated differences of opinion concerning public affairs. Such conditions give political discussion a depth, a passion, a certain philosophical quality, even a disinterestedness, that are not so conspicuous in other democracies. The result is that men of the highest type go into politics, and the party leaders, after a lifetime of activity, are still poor men.

Moreover, England and international politics are never out of the picture. The outbreak of the World War forced South Africa all too early to declare its relation to Great Britain on the crucial issue of peace and war, and the country suffered a shock from which it reeled for years. That issue is by no means dead, but a new war would hardly bring the same calamitous situation, since the Constitution is now much more competent to deal with it and people know where they stand.

Internally South Africa witnesses a constant struggle of the Boer to maintain himself as a type, with his language and culture, against the enormous pressure of things English. No one who has not lived among its manifestations could realize the full intensity of the Boer feeling or the tenacity with which the struggle for cultural survival is pursued. The dualism it sets up pervades the whole of South African life. Equality of languages is entrenched in the Constitution; the provision and conduct of bilingual schools are minutely regulated by law; the civil service is bilingual, and the people at large are rapidly becoming bilingual also.

Nor is this all. A powerful cultural movement among Afrikanders themselves has been in progress for years. The simplified Dutch, which is the vernacular of the country, has been standardized as a virtually new language known as Afrikaans. A great dictionary is in course of completion;

newspapers and magazines in the language are published and widely read; poetry in considerable bulk along with histories, novels and even technical works has appeared,and now the great achievement has been capped by a complete translation of the Bible into Afrikaans from the Hebrew and Greek originals.

In addition to preserving and maintaining his distinctive contribution to South African life the Afrikander is resolved to rid himself of the last disability of conquest by achieving the complete self-determination of his country—within the British Empire if he can, in separation from it if he must. Obviously the two factors are closely associated, but do not necessarily operate in equal strength. The thoroughgoing Afrikander republican is usually no more enthusiastic about cultural development than is the most ardent supporter of the British connection.

The movement of South African politics toward its culmination in the Status Act mingles, from 1924 onward, very closely with that of constitutional development in the empire at large. Though the full story goes much further back than the inauguration of the Union in 1910, a wise and regenerate British policy had already restored responsible government to the two conquered Boer republics, the Transvaal and the Orange Free State. In the Transvaal General Botha and General Smuts set themselves at once to conciliate British feeling and to press for union of the four Provinces. In due course, and with the Transvaal playing a large part, terms of union were agreed upon.

The first Union Ministry, under General Botha, continued the policy of conciliation. But the pace was too fast for a considerable section of the Boers, who feared that their distinctive identity might be lost before there had been time to establish it. This section found a voice in General Hertzog, who in 1912 left the Cabinet and set about forming the Nationalist party to advocate openly a "two-stream" policy. The World War, two years later, both embittered relations, for bloodshed and revolt now entered, and also stimulated Nationalist feeling. The situation could be pointed to as a convincing demonstration of the dependence of South Africa, forced to shed her blood in a cause that was not her own.

The Versailles treaty brought no peace in South Africa. Botha died in 1919, and Smuts was more than ever the villain of the piece. He was accused of debauching the Union Jack for political ends and of playing up to the British to secure his own supremacy. More and more the Afrikanders, especially of the younger generation, turned to Hertzog. The great reshuffling, and for some peoples the great emancipation, of the Versailles settlement whetted Afrikander appetite and gave fresh point and force to the demand for virtual independence.

Economic troubles helped the Nationalists. In 1924 the turn came. A Nationalist government succeeded to power and nothing terrible happened. But 1926 was the year of an Imperial Conference and Hertzog, now Prime Minister, had to implement his pledges. He went to the conference resolved to get a declaration of Dominion status in terms "independent" enough to satisfy his followers and "imperial" enough to win over the bulk of South African British opinion.

The result was the famous Balfour Declaration on Dominion status, surely a masterpiece of phraseology from even that consummate dialectician,

the late Earl Balfour. The declaration, which is quoted in the preamble of the Status Act, describes the British Dominions as "autonomous communities within the British Empire, equal in status, in no way subordinate one to another in any respect of their domestic or external affairs, though united by a common allegiance to the Crown, and freely associated as members of the British Commonwealth of Nations." Hertzog took the document back to South Africa with something like a whoop to his own followers and as a very natural invitation to the British to come in on that basis. South Africa politically, however, was not yet ripe, and the Nationalists won another election in 1929.

Meanwhile a committee of experts had been at work in London to determine what changes were necessary to give legal constitutional effect to the spirit of the Balfour Declaration. The committee reported to the Imperial Conference of 1930, their recommendations were adopted and the great Statute of Westminster was framed and passed by the British Parliament in 1931. The two currents, that of South African politics and of general constitutional development in the empire, now ran closely intermingled. No barrier of a purely legal kind stood any longer in the way of peace between the two South African parties after the struggles of well-nigh a century.

Great Britain's going off gold in September, 1931, was the match that fired the train. There is irony for the Nationalists in the fact that it was an event in purely British history that enabled them to achieve their hopes and to satisfy most of their own demands in an agreement with the South African British.

The Status Act in substance is a perfectly logical application to the particular case of the Constitution of South Africa of the two relevant British documents, the Balfour Declaration and the Statute of Westminster. The constitutional revision it effects, drastic and thoroughgoing as it is, is nevertheless achieved at every point by purely legal process.

Cannily enough the Afrikander sees the value of repeating the Balfour Declaration in the preamble of his own constitutional act and of adding on the strength of it a description of his own country as "a sovereign independent State," for what else can be meant by "equal in status, in no way subordinate one to another in any respect of their domestic or external affairs"?

But it is the Statute of Westminster that governs the main body of the Status Act. In this great charter to the Dominions two main grants are made. One, positive, is the power to amend, repeal or modify any British act which is part of the law of a given Dominion — for instance, the South Africa Act as part of the law of South Africa. The other, negative, is freedom from the application of any British law to a Dominion, unless the Dominion has requested and consented to such application. This incidentally implies a continuing residual power of legislation for a Dominion by the British Parliament if the Dominion does thus "request and consent."

The main provisions of the South African Status Act itself are quite simple. It declares that no British legislation henceforth shall be taken as having force in South Africa except by consent of the South African Parliament in legislative form—that is, the legislation must be re-enacted in South Africa. It defines the Executive government in South Africa as the King acting upon the advice of his

South African Ministers, and it defines "King" as the King determined by the laws of succession of the United Kingdom. Powers of veto and reservation of bills are abolished, the Governor General, as the King's representative, being left with the power only to return a bill, with comment, for further consideration. The royal—or viceregal—prerogative disappears with the exception of the important power of nominating the Prime Minister and of dissolving Parliament. The relevant parts of the Statute of Westminster are re-enacted as a schedule to the Status Act so as to complete the logic of the whole.

The Seals Act was passed at the same time as the Status Act for the purpose of defining procedure in the exercise of the King's powers through his South African Ministers, and, as a final corollary, the whole South Africa Act, with the amendments now made, is re-enacted as South African legislation, under the powers of the Statute of Westminster.

The long debates on the Status Act were conducted in good temper and on a high level. A little knot of die-hard Britishers who fought the bill inch by inch received every consideration. On the other hand, some of the older Afrikanders, veterans of the Boer War, spoke movingly about the sacrifice of complete republican ideals which they were prepared to make for the sake of peace. The result was finally a statesmanlike compromise. The Afrikander accepts the British Crown and the resulting membership in the Commonwealth, while the Britisher accepts the termination of all prerogative and of all possibility of interference from Great Britain in South African affairs.

Much was made in the debates of the fact that, with its new status, South Africa can now decide for itself whether to be neutral or not in time of war. It might even secede altogether, though not, apparently, by legal process. Some commentators in England as well as in South Africa feel disturbed by these possibilities. But "equal status" necessarily implies them, and legal barriers would be flimsy defenses against the strong political pressures when the time of crisis comes. Neutrality and secession are political issues, to be determined in the light of all the facts when the question arises. They are not to be determined in advance, as some of the die-hard lawyers seemed to demand, by any constitutional legislation, especially legislation under such documents as the Balfour Declaration and the Statute of Westminster.

Much the same reasoning applies to that virtual abolition of prerogative which so agitated the little knot of fighting Britishers. They argued, with some justice, that the Status Act meant a divided Crown and the conversion of the Commonwealth into a purely personal union under a single King. That King, they contended, had a residual prerogative to act on his own motion in time of crisis to keep the whole together. General Smuts had no difficulty in showing that for centuries no such prerogative had existed and that the real question was again one of politics, not of law.

Well received as the Status Act was and followed, as it has been, by fusion of the parties, it is still too soon to say whether its effect is a final peace on South Africa's constitutional question. There is a group of dissentients at each extreme. The British group, standing for the continuance of some subordination to Great Britain, has much to say about "loyalty," but is not likely to go far electorally. The Afrikander group, on the other hand, is a different matter. It is ably led by

Dr. Malan, a former lieutenant of General Hertzog; it has plumped for full republicanism and a severance of all legal ties with Great Britain, and has attracted many of the young men who, in South Africa, are always ready for generous-sounding and rather heady idealisms. General Hertzog has had a stiff time dealing with this movement even in his own Orange Free State, and it is particularly strong in the Cape. Also it commands several of the newspapers. It will certainly mean something electorally. But Dr. Malan is not on the same ground that General Hertzog occupied in 1912, nor is he made of the same stuff. There is too much against his movement, of economic as well as political weight, for it to achieve final success.

Nevertheless, it is regrettable that constitutional opposition to the new fusion party has taken the old racial form. South Africa sorely needs a new party alignment along the lines of social and economic issues that are now the real concern of the country. Yet for the Afrikander there is much in a name and in the sense of status, and Dr. Malan may yet go far.

Over and beyond all such issues, South Africa's vital problem is that of the permanent social and economic relations between the whites and the blacks, the latter of whom form three-fourths of the population. From the larger point of view of this issue, which has yet to be squarely faced, bitter and now largely pedantic disputes about status among the whites are at best a political luxury and at worst may be a way to self-destruction.

II—The Urge to Expand

By RALPH THOMPSON

SOMETHING of the urge which built the British Empire has been acquired by a child of the Empire. Growing in self-confidence and fully aware of the freedom to act implied by the Statute of Westminster, the Union of South Africa has cast longing eyes upon the protectorates of Bechuanaland, Swaziland and Basutoland, now controlled from the Dominions Office in London.

These areas, in which the ratio of black to white population even today is about 99 to 1, were specifically excluded from the Union of South Africa when it was formed in 1909, although it is true that the Constitution provided that they should be eventually incorporated. A primary reason for the exclusion was that London deplored the treatment the natives had received at the hands of the former Boer republics of the Transvaal and the Orange Free State, and feared that the new Union government, representing both the Boers and the citizens of the Cape Province and Natal, would be wrecked in a conflict of principles—the Boer idea of a color bar clashing with the British principle of equal rights for all civilized enough to exercise them.

Indeed, since 1909 no satisfactory policy regarding natives already within the Union boundaries has been evolved, and blacks under the jurisdiction of Pretoria have suffered from discriminations which are generally

termed unfortunate and in some cases labeled outrageous. Thus it was that when Prime Minister Hertzog early in 1934 gave notice to London that his government intended to take definite action on the question of the protectorates, a wave of indignation swept not only the natives of the territories involved but also representative groups of well-disposed whites. The Imperial Parliament forthwith appointed a committee to study the matter, and early in 1935 Tshekedi Khama, Acting Chief of the Bechuanaland Protectorate, issued an appeal for "protection" to the Parliament and people of Great Britain.

Not that British administration of the 1,000,000 Bantu of Swaziland, Bechuanaland and Basutoland has been by any means ideal. The so-called system of indirect government through chiefs, Lionel Curtis, a former South Africa administrator, has pointed out, has led to serious abuses. Sir Abe Bailey, South African mining magnate, has declared that the three territories are among the worst administered under the British Crown. Economic conditions have been so neglected that since 1933 the British Exchequer has been forced to subsidize Bechuanaland and Swaziland alone to the extent of £500,000. But it is feared by many that government from Pretoria, rather than improving affairs, would make them worse.

The Union case is that there is no selfish purpose behind the proposed annexation. The Union has already ample land—and ample economic difficulties without assuming those of the native areas. But Basutoland is overcrowded, and native migration to the urban areas of Bloemfontein, Johannesburg, Kimberley and elsewhere has created congested slum districts. Detribalized and demoralized, the uprooted Bantu have become a serious liability. The surplus blacks, it is argued, might well be moved into Bechuanaland, where there are huge areas without a single inhabitant. On these pastoral plains the Union could establish, in a spirit of trusteeship, a home for the black man, irrigate the land and allow him to develop along the lines of his own tribal and social heritage.

But Chief Tshekedi does not see it that way. What he and his sympathizers know is that an area of about 1,325,000 acres in Bechuanaland is owned by the Tati Company, Limited, and that such a district, once the bars were down, might become a centre of industrial exploitation, with all the woe to black labor that that implies. They fear that the grazing land spoken of as a potential home for the surplus Union blacks might be seized for surplus Union whites. Most of all, perhaps, they object to the possibility that the present native policy of the Union might be set up over them, so that the protectorate native would find, as the *Manchester Guardian* has put it, that "his freedom of movement is limited by restrictive 'pass' laws; his status as a worker is degraded by the Color Bar Act to one of permanent economic inferiority. He sees his fellows throughout the Union compelled by the Native Service Contract Act to relinquish settlement and to wander in search of work. He sees them barred by the Native Land Act from acquiring land even if, despite all obstacles, they acquire means to do so."

The present Fusion government of South Africa, however, led by men like Prime Minister Hertzog and General Smuts, is presumed to be genuinely anxious for the welfare of the natives and of the Union. Fusion itself is a sy[illegible]e determination

of both Boer and British to forget their differences and work for the common good. The new Afrikander generation is said to question the time-honored principle that in Church and State there is no equality between white and black. Finally, many responsible South Africans are eager to be rid of the anomaly of having within Union boundaries territory which is not under Union jurisdiction. Most of them realize that before this can be accomplished the Dominion's native question must be solved.

Definite measures looking toward this end were submitted to the Dominion Parliament in 1929, and a Parliamentary Joint Select Committee to consider them was first appointed in 1930. Although Select Committees have been reconstituted each session since that time, only recently have specific recommendations been made. On April 30, 1935, the drafts of the Native Representation Bill and the Native Trust and Land Bill were made public.

Whether or not these measures become law, they reflect the policy of the present South African Government and indicate what treatment the protectorate natives may expect should they be brought under Union jurisdiction. By the Native Representation Bill the franchise of Bantu residing in the Cape Province is abolished—that is, no more natives will be put on the register. This may seem a step backward, but it should be remembered that the Cape natives' vote is severely restricted and represents less than 3 per cent of the total electorate. In other Provinces natives never vote. In place of this dubious privilege in a single Province, natives throughout the Union are to elect four Senators, who will be white, and to ballot for a majority of the members of a Native Representative Council, who will be blacks. Through this Council it is planned to bring the views of the native population before Parliament.

By the second measure proposed, the Native Trust and Land Bill, some 14,000,000 acres out of the 260,000,000 now in white ownership will be gradually handed over to the natives.

Both these bills are definitely segregationist—that is, they indicate that the Union government believes that the Bantu problem is to be solved not by granting equal political and economic rights to all who have acquired sufficient civilization but by recognizing a line of demarcation and allowing each racial community to carry on by itself. Neither bill would seem to be very reassuring to Chief Tshekedi and those for whom he speaks. In his appeal to Britain he especially remarked that "the policy of the Union seems to be to have one law for the white community and another law for the native. Such a policy cannot commend itself to any native people."

The trouble, of course, was started when whites first began to drive back natives from the Capetown area. Now, hundreds of years later, the descendants of the original possessors of the land petition to keep their admittedly unsatisfactory vestige of independence under the British Crown rather than submit to the doubtful benevolence of the present South African Government and the unpredictable policies of its successors. Great Britain may have in her vast empire more vital problems than this, but none more overcast with the shadow of past wrongs and none requiring more prayerful consideration.

The Ways of the Chinese Censor

By EDGAR SNOW*

SUPPRESSION of civil liberties in China, growing ever harsher since 1928 until it has reached an all-time severity, is Generalissimo Chiang Kai-shek's answer not only to Communist propaganda but to all forms of liberal and progressive thought.

Aided by the Fascist New Life movement and the Confucian Revival, it is no less than an attempt to make the Chinese people think along the lines laid down for them by the Nanking rulers. Agents of thought-control mute every string of public expression, for, in addition to presiding over newspaper censorship bureaus, they restrict freedom in all branches of the publishing business; in the theatre, old and new; in movie productions; in art and literature and education. Even the story-tellers have to choose their words carefully, since some of their tales, though hundreds of years old, are still pregnant with symbolic meaning in the midst of the oppression and disunity of present-day China.

First of all, according to the current procedure, "copies of news items of all daily newspapers, evening newspapers, small ['mosquito'] newspapers, services of news agencies, their additional issues, are to be submitted to the censorship bureau *en bloc* (including advertisements) or by instalments." At the head of the system of press control is the Kuomintang's central publicity bureau. It directs censors in various cities under Nanking's authority, and it also staffs the bureaus which play havoc with foreign correspondents' dispatches. Its regulations authorize the censor to kill any news "the publication of which [he deems] disadvantageous to us [the Kuomintang]," or "unfavorable diplomatically to our country, regardless of whether it is confirmed or unconfirmed."

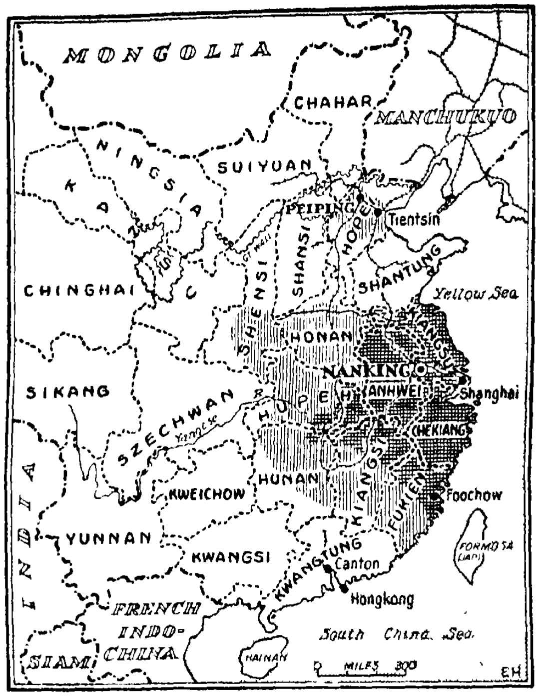
Besides agents from the central party, which is in turn subservient to the Blue Jackets, a secret Fascist organization created to combat communism and to promote Chiang Kai-shek's policies, the bureaus usually have staffs representing regional, provincial and local authorities. The Japanese also have a voice in censorship here as well as in Tientsin. In practice, any censor can suppress or mutilate any news.

During 1934 there were in North China 110 cases of suspension or total suppression of publications of various kinds, while the toll in southern cities was also heavy. The most frequent offense was publication of news, editorials or other material considered to be tinged with leftism—a term including advocacy of everything from constitutional democracy to communism. Other crimes included publication of "unsatisfactory" articles concerning government officials, Sino-Japanese negotiations, the Kuomintang, the opium monopoly, the activities of the Blue Jackets, the success of the Russian Five-Year Plan, the New Life movement and Con-

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fucianism, and of matter indecent, sarcastic or ironical in style.

Sarcasm and irony have, in fact, become the chief weapons of the emasculated press of China. No language better lends itself to nuance, for Chinese habits of thought for centuries have been grooved in channels of subtle dissimulation. Ideographs may often hold within their vertical lines inferences full of venom which every knowing reader will understand, but which the often half-literate censor allows to pass.



Nanking's authority is reported virtually complete in the heavily shaded area, strong where the shading is light and weak in the unshaded regions.

The wrath of the censor is roused by anything except the mildest comment on current events and official personalities. Still, here and there one finds an editor attempting by allusion to convey to his readers some idea of his fettered condition. Consider the innuendo in an editorial recently published in the *Ta Wan Pao* of Shanghai. The comment could be risked only indirectly, in this instance in connection with the suicide of a local movie star. Officials had virtuously blamed the press for the woman's death, claiming that it was newspaper publicity given to her divorce suit, in which her husband charged her with infidelity, that had resulted in the tragedy. The editor denied that the press possessed such omnipotence, and concluded:

"Opinions have been expressed as to whether the press is able to kill people; if so, then the 'power of the press' still exists. However, if we regard the press realistically, does it possess any such power? If something arouses its ire, and comment is made, it will bring hatred from certain quarters [the censors]. If public matters are casually criticized, the result is imprisonment for the writers in lighter cases and death in more serious ones. These are common and everyday occurrences. Intelligent writers who want to protect themselves are afraid to express their opinions. The press has long lost its power."

The worst thing to be said about the Chinese censorship is that it is completely chaotic. Censors are no more restricted by the regulations than is the military opium monopoly by government opium prohibition laws. The cowed and frightened press dares demand nothing as a "right," for fear of reprisals against its spokesmen; it can only plead with bent head. A petition submitted to the Kuomintang by over twenty leading newspapers and news agencies last December did not

ask for abolition of censorship but merely for the following: (1) That censors be required to adhere to press regulations issued by the party; (2) that no newspaper or newspaper man be punished except according to law; (3) that suppressed journals that had not attacked the government be allowed to resume publication, and (4) that imprisoned newspaper men be brought to legal trial.

Foreign correspondents, who suffer much less than native journalists, also have their troubles. Chief among them is the censors' practice of mutilating cable dispatches without notifying the sender. This was the theme of complaints Peiping correspondents made recently in an interview with Mrs. Chiang Kai-shek—after her husband had shaken hands and disappeared. Mrs. Chiang was surprised when a correspondent harped on censorship. "Is there really a censorship?" she asked. And the gentlemen are not permitted to know when their messages are censored? And newspapers at home are wrathful over wasted tolls on garbled, unintelligible messages? Mrs. Chiang said the matter would be remedied at once, and she kept her word. The Peiping correspondent now regularly receives notification, from three to six weeks after filing a dispatch, that it has been censored.

Suppression of the press has its natural corollary in the burning of books. At literary bonfires in important cities during 1934 thousands of volumes were destroyed. These included, of course, translations of all Marxist, Communist and Socialist books that had survived earlier purgings, but also many books of history and economics distasteful to Blue Jacket leaders, who directed the campaign.

Altogether 149 books, including many of the best works of contemporary Chinese writers, were banned last year by the Kuomintang. Among Western writers whose works are forbidden in translation are John Dos Passos, Theodore Dreiser, Strindberg, Bertrand Russell, Maxim Gorki, Upton Sinclair and even Maeterlinck and Romain Rolland. Worse than outright banning perhaps is the practice of deleting many pages of a book, indiscriminately and often purposefully changing the author's meaning.

Even certain books of nineteenth-century fiction are held impure; the black list resembles Hitler's, on which it is said to be based. Throughout the year additions were made to it, and early in 1935 the censor began to bar some books in English also. Authors specifically mentioned so far are Rodney Gilbert, André Malraux, Agnes Smedley and Victor Yakhontoff. In February the ban was reported to have been extended to all foreign-language books on communism and socialism.

On the other hand, the proscription exempts all books by Japanese (among which are the most insulting diatribes ever penned against the Chinese people) and books in praise of fascism. Notable also for their respectability are thousands of copies of biographies of Hitler and Mussolini, translated by official order and distributed among Chinese officers.

Films and the Chinese opera have also come under close scrutiny. No longer can the Chinese actor make satirical references to political conditions through the medium of the historical drama. Likewise, modern plays must be approved by the censors, who usually do not know what they are about. In drama, as in art and literature, a critical approach to the social aspects of worker and peasant life is not permitted—for the same reasons that vital studies relating to economic abuses cannot be made at all.

What the Kuomintang regards as dangerous thought is illustrated by the treatment of a film recently produced in Shanghai. The story dealt with the problem of unemployed college graduates, and one episode showed a youth turning thief under pressure of hunger, a denouement substantiated by contemporary fact. It was banned as a "bad social influence." For much the same reason the censorship suppressed *Ah Q*, a film based on Lu Hsun's non-political story of village life, written many years ago and now a classic. To discourage such productions several film companies in Shanghai have been threatened by Blue Jackets, and in at least one instance, that of the Yi Hwa Motion Picture Studio, the threat was carried out by the complete destruction of the plant. Bookshops, too, are often wrecked if found to be selling anything considered impure. Hundreds of booksellers have been driven out of business, and there is now a serious depression in the whole publishing business, formerly one of the most prosperous in China.

The fate of their productions has been shared by many authors, editors, journalists, artists and dramatists. Literally hundreds of young intellectuals have paid for their convictions, with the result that some of the most significant talent of the nation has been lost. Those who are puzzled by the apparent intellectual stagnation of China, by what Pearl Buck calls the absence of creative spirit, would be enlightened as to the cause if they could study the secret files of arrests, abductions, acts of torture and executions during the past seven years.

But it is not necessary to go to sealed archives for these facts, nor to recall the notorious group murder in 1931 of five gifted Left writers in Shanghai, nor to lament the killing of Dr. Yang Chien, secretary of Mrs. Sun Yat-sen's now suppressed League for Civil Liberties. It is sufficient to look merely beyond the censored news reports of today. Victims are picked off singly and in groups in various ways — sometimes kidnapped, sometimes assassinated, rarely arrested by warrant.

There was, for instance, the recent case of a young artist whom an army officer jailed in Shantung for five years because of an oil painting in which he showed a Kuomintang flag in the mud. This was matched by the arrest of a number of young woodcut artists in Shanghai not long ago for their "art for life's sake." There was the case, last January, of the starvation in a Tientsin prison of Professor P'an Hsien, an author who edited a magazine banned by the police. Young P'an was arrested, severely tortured, kept for weeks in a filthy jail, then given nothing to eat for nine days, and finally let die. Such incidents could no doubt be duplicated by dozens of others, but of these I happen to have personal knowledge.

In Shanghai during the month of February alone thirty-four writers and intellectuals were arrested and jailed by special police and Blue Jackets. Among them were Tien Han, an outstanding Chinese playwright; Hwa Han, a noted novelist; and Lin Pei-hsu and Hsu Ti-sing, prominent critics. In these cases not only the men but their wives and children were imprisoned. The police at the same time raided the home of Chien Shing-tsen, but this writer escaped. In his place they arrested his four sons, the eldest 12 years of age; his father, a man of 66, and his wife. They are at this writing still held as hostages, to be released when Chien gives himself up, with the usual confession—generally obtained

by torture—that he is a "Communist."

More widely known is the recent case of Sze Liang-tsai, publisher of several Shanghai journals, among them the *Sin Wen Pao* and *Shun Pao*, China's largest dailies. Allegedly leader of a group of constitutional democrats opposed to the Fascist dictatorship, he was subjected to great pressure. Feeling secure in the Shanghai foreign settlement, Sze declined to "cooperate." One day he carelessly motored outside the city, was followed by hired assassins and shot to death. In the reorganization of his interests after his death, Sze's son was forced to admit Fascists to the board. Earlier than this, one of Sze's correspondents, a young man in Tientsin who had reported facts instead of propaganda, was disposed of by gangsters in much the same manner as Sze was.

Thought-control has now penetrated deeply into the educational system. Liberally paid Fascist spies, located in high schools and colleges, report regularly on both students and professors. All textbooks have, of course, long ago been expurgated by the Kuomintang, and numberless professors, instructors and students have been removed or jailed, to be replaced by more manageable substitutes. Despite this, however, so great is the discontent with government policies and personalities that arrests continue, year after year, with monotonous regularity.

In Peiping and Tientsin alone, from November, 1934, to March, 1935, over 230 political prisoners, including dozens of students, artists, teachers and writers, were locked up; during 1934 arrests in this category in these cities totaled over 800. Dr. Feng Yu-lan, head of the Philosophy Department at Tsing Hua University, was arrested for an "unsatisfactory" (that is, not unfriendly) speech concerning the Soviet Union. Many high school students, between the ages of 15 and 18, were jailed; in the instance of Dr. Sun Kung-kwang, head of the First Middle School, eleven of his students were arrested with him and sent to the great political prison at Nanking.

Little leaks into the press about such raids, most of which are conducted secretly by Kuomintang or military police. A system of individual rewards for policemen has been widely instituted, and this naturally leads to innumerable abuses, such as the fabrication of evidence and the "planting" of books and papers, in order to get the $40 or $50 per head promised for Red sympathizers. Prisoners are, of course, rarely given a court trial, but come before a military or Kuomintang tribunal; in most instances they never see a lawyer or a judge. They are usually taken directly to Kuomintang headquarters, where they are either given jail terms or, if they possess sufficient money or influence, let off with the signing of a pledge to combat communism and support the Fascist dictatorship. In some cases they are executed. Jails throughout China have long been crowded with political prisoners, and many are now held in special detention chambers at party headquarters.

Arrest does not, in such circumstances, mean that the victims are Reds, nor, for that matter, does imprisonment. At Tsing Hua, a university backed by the American Boxer Indemnity Fund, for instance, twenty-one students were arrested early this year. Some were writers, but the majority were apparently jailed for membership in the college Sit and Talk Society, formed purely as a discussion group. Similarly, many students arrested at Peking National and other universities are usually older and serious-minded men and

women demonstrating too realistic an interest, through writing and speech, in social and political problems. Yet such arrests apparently do not achieve the desired intimidation of other students; on the contrary, they seem to drive thought further to the left. This is especially true of the young men and women jailed for anti-Japanese activities, whose attention, after release, tends to centre on Nanking.

Free student unions have been abolished on the ground that students can thus devote more time to study. Nor can professors organize in societies not recognized by the Kuomintang. Student meetings must be attended by a Kuomintang representative—now generally a Blue Jacket—and lecturers must be approved in advance by the educational censors. In spite of this, secret organization, in which every Chinese is very skillful, persists among teachers and students just as among peasants and workers.

What amazes and gradually persuades the observer of the ultimate futility of all efforts to stamp out the growth of a new social culture in China is the vitality with which it constantly renews itself. Seven years of drastic purgation apparently have made little impression on the sources of revolutionary thought. Arrest, torture, imprisonment, possible death, are penalties threatening all, from the pale Pink to the deep-dyed Red. Superficially everything seems against them, but new heads arise, new leaders replace the old, little nuclei dispersed regather and dig up their books from the earth, and make new plans.

That the Fascist culture implicit in the New Life movement and the Confucian Revival will finally succeed in choking this many-headed enemy is the hope of its creators. Hence they not only attack militant radicalism, with the help of the Japanese and other foreign spy systems, but also heavily subsidize an inspired cultural reaction. Everywhere the Fascists are setting up and in many cases circulating free of charge new-magazines and newspapers primarily devoted to the denunciation of communism, and engaging also in violent personal attacks against non-Fascist cultural leaders. Arrested Leftists and menaced liberals are being "converted" by measures of force and often torture into paid writers for the culture of the dictatorship.

All this has so far had very little effect on the Chinese people as a whole, but it has stimulated intellectual opposition. Nor has it brought the masses closer to Nanking. One important reason for this is that fascism in China must play the dual and contradictory rôles of nationalism and pro-Japanism. This means that the agencies that combat class war and preach Confucian class harmony on the basis of patriotism are obliged also to suppress the anti-Japanese boycott movement, in compliance with demands of the Japanese militarists, without whose consent and domination neither the Kuomintang nor the nascent Fascist movement could exist.

This and other obviously disintegrating factors inherent in China today thus narrow the sources of Chinese fascism and limit its scope and appeal. The materials on which it would build are economically and politically undermined by the Japanese strangle-hold on Nanking; the emotional and cultural forces which it would evoke are disillusioned and spent. The Chinese are too old a people, too cynical and too fundamentally realistic to be made into flag-waving cousins of the Italians and the Germans. And they are far too hungry.

Shaw: Socialist and Aristocrat

By ST. JOHN ERVINE*

GEORGE BERNARD SHAW will be 79 years of age this month, having been born in Dublin on July 26, 1856. His parents belonged to the lower ranks of what are called "good families"—Mr. Shaw's second cousin was a baronet—and although George Carr Shaw, his father, a corn merchant, derived his exiguous income from wholesale trade, he thanked heaven that he was not engaged in any retail business, and would have felt utterly humiliated if he had been expected to associate with persons so tainted!

In this atmosphere of Irish snobbery, than which there is nothing more stupendous in the round world, George Bernard Shaw grew up. His father was, as has been indicated, an unsuccessful business man with a disconcerting and unexpected sense of humor. He also drank, and when Shaw discovered this, it was responsible, he said, for his never "believing in anything since."

When the boy, this only son of his parents, was 11 years of age, he was enrolled as a pupil at the Wesleyan Connexional School in Dublin, where he failed to make much impression on his masters. "He seems to have been generally near or at the bottom of his classes," and was not only idle himself, according to his biographer, Archibald Henderson, but "a cause of idleness in others, distracting them from their studies by interminable comic stories." His education at this school and at two others seems to have done little more than infect him with a horror of education. It taught him, he asserts, nothing whatever and prevented him from learning much.

Nevertheless, he was acquiring education elsewhere. His mother, Lucinda Elizabeth Gurly, to whom he bears a close resemblance, was a woman of unusual character and culture, a very fine musician, with an exceptionally pure mezzo-soprano voice, and in her house, which was frequented by musicians and especially by a remarkable teacher of music, George John Vandaleur Lee, the young Shaw acquired a knowledge of music which is profound. It was to be of practical value to him in London where, many years later, he became a music critic.

In addition to his education at home through music and, it may be added, the very Rabelaisian conversation of his Uncle Walter Gurly, a ship's doctor, who related improper stories to him in strictly biblical language, he was training himself in the appreciation of pictures through frequent visits to the Irish National Gallery. He was better informed about pictures when he was 15 than some art critics are at any period in their lives.

In 1871, when he was 15 years of age, Shaw, through the influence of an uncle, entered the office of an estate agent, Charles Uniacke Townshend, and became a clerk at a salary of 18 shillings a month. He became so proficient in his work that he was quickly promoted to positions of great

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responsibility and, at the end of four years, was in receipt of a salary nearly eight times as large as that on which he began. The legend that the man of letters is incapable of business is seldom true; it is totally untrue so far as Bernard Shaw is concerned, for few business men manage their affairs as ably as he manages his.

Soon after he had entered this office, his mother decided that life in Dublin with a drunken husband, even if that husband had a sense of humor and was often very entertaining, was more than she could bear. She, therefore, withdrew herself and her two daughters, Elinor Agnes and Lucinda Frances Carr, to London, whither she had been preceded by Vandaleur Lee, and maintained herself and the girls by giving lessons in singing. She left her son in the unthrifty guard of his father, who, however, atoned for some of his intoxication by sending the boy into fits of laughter. As the elder Shaw did not prosper, his son departed from Dublin in March, 1876, to join his mother in London where, a short time before, his sister Agnes had died of consumption. His arrival embarrassed his mother, who lived on what she could earn and a pound a week paid to her by her husband. She had her son now to maintain.

Before he left Dublin, he made his first contribution to the press, a letter, written when he was 19 and published in *Public Opinion* on April 3, 1875, in which he passed an adverse opinion on the religious revival which was then being led in Great Britain and Ireland by two American evangelists, Dwight L. Moody and Ira Sankey. In this letter he sounded the note which he has sustained with singular consistency throughout his career—the note of aristocracy.

The fact that Shaw is a Socialist has misled the superficial into the notion that he believes in democracy. He has never professed the slightest belief in this doctrine at any time in his life. On the contrary, he has often and with immense vigor expressed his contempt for it. His admiration for dictators has never been disguised. Any dictator will do, provided that he dictates. In his letter to *Public Opinion*, Shaw rebuked the respectable classes for attending the Moody and Sankey missions.

"Respectable audiences," he wrote, "were precisely those which were least likely to derive any benefit from them. It is to the rough, to the outcast of the streets, that such 'awakenings' should be addressed; and those members of the aristocracy who by their presence tend to raise the meetings above the sphere of such outcasts are merely diverting the evangelistic vein into channels where it is wasted, its place being already supplied, and as, in the full routine of hard work, novelty has a special attraction for the poor, I think it would be well for clergymen, who are nothing if not conspicuous, to render themselves so in this instance by their absence."

The reference in this remarkable letter to the "aristocracy," in the social sense, is surprising to those who read it, for the Irish aristocracy, a hunting, hard-drinking set, for the most part, was exceedingly unlikely to be prominent, if present at all, among those who listened to the pious exhortations of the American evangelists.

In Ireland, however, in those days, and probably in these, there were only two classes—the aristocracy and the lower orders. An Irishman who was not a workman or a peasant or a shopkeeper would have died rather than admit that he belonged to the middle class. There was no middle class in Ireland, except perhaps in Ulster, and there only in Belfast. An

Irishman was either a gentleman or not a gentleman, as Shaw's father had been careful to point out to him, and it was unbecoming, Shaw thought, for a gentleman to be seen kneeling at the penitent form or accepting spiritual direction from social inferiors.

The attitude he then took up he has ever since maintained. He does not, indeed, base his exclusiveness on class distinction, a distinction which allows some uncommonly stupid and even caddish persons to give themselves airs of superiority for which there is no other warrant, but on intellectual and spiritual distinction. A few are born to rule and a multitude are born to obey. On that basis, first laid down in his letter to *Public Opinion,* Shaw has built his general belief.

The first nine years of his life in London were passed in poverty and would have been oppressed by a sense of failure if Shaw had possessed such a sense. His literary earnings in that time amounted to £6 ($30). For a brief period he worked in the office of a company formed in London "to exploit an ingenious invention by Thomas Alva Edison," but his distaste for commercial life, acquired in Dublin, continued and prevailed in London.

He set himself undauntedly to the career of a man of letters, and in the five years 1879 to 1883 wrote five novels, the first of which, "with merciless fitness," was entitled *Immaturity* and was declined by all the publishers, including Chapman & Hall, whose reader, George Meredith, wrote "No" on it. The manuscript was thrown aside and was nibbled by mice, but "even the mice failed to finish it." This work was followed by *The Irrational Knot, Love Among the Artists, Cashel Byron's Profession* and *An Unsocial Socialist.* They proved equally unacceptable, and it was not until he had made many friends in advanced political and humanitarian circles that they were published as padding in propagandist magazines. His tendency to tell his story in dialogue indicated that he was a dramatist and not a novelist.

In 1882, when he was 26 and the author of four unpublished novels, he attended a meeting in London addressed by Henry George to advocate his single tax theory. Shaw at once became a convert, but on reading Karl Marx's *Das Kapital* shortly afterward, he turned to socialism.

He now became a public speaker, engaging eagerly and untiringly in controversy and debate. He was not at first a capable platform orator, but he soon made himself one. By dint of hard and persistent speaking to "audiences of every description, from university dons to London washerwomen," he turned himself into an exceptionally skillful debater. In his seventy-seventh year he addressed a meeting in New York for ninety minutes without any appearance of fatigue, and, though perhaps the matter was familiar stuff, he spoke well.

In 1884 he joined the Fabian Society, a famous group of intellectual Socialists who rigorously excluded emotion from their appeals, and here he met and worked with Sidney and Beatrice Webb, Graham Wallas, Sydney (now Lord) Olivier, Annie Besant and, a little later, James Ramsay MacDonald. Other friends whom he made at this time were Edward Carpenter and William Morris. His renown spread and his fortunes mended. He criticized books for the *Pall Mall Gazette* and pictures for the *World.* He became a musical critic and then a dramatic critic, and made himself widely known by the vigor of his writing and the abundance and brilliance of his wit. His initials, "G. B. S.," soon became celebrated.

About the end of April, 1898, an injury to his foot made him a cripple for a period and, a few weeks later, on June 1, 1898, he was married to Charlotte Payne-Townshend, a well-to-do Irishwoman, who had nursed him through his illness. He was then the author of at least four plays, none of which had been acted, although all of them had been published. It was not, indeed, until 1904, when he was 48, that he was conclusively accepted on the London stage, although his vogue in New York and Germany had begun about six years earlier.

His first play, *Widowers' Houses,* was completed in 1892, seven years after it had been begun in unsuccessful collaboration with William Archer, who, partly because of that experience, but chiefly because his ideas of authorship were entirely different, asserted in public that Shaw had "no special ability and some constitutional disabilities" for dramatic authorship. *Widowers' Houses* was followed in quick succession by a long series of plays, now numbering over forty, which obtained a world-wide renown for their incomparable verve and wit and audacious ideas. His energy from that year remained unflagging, and, in addition to his arduous work as a dramatist, he engaged in every kind of controversy, oral and written, on the platform and in the press, on a great variety of subjects, ranging from art to vivisection.

The bulk of Shaw's work as a dramatist was done after he had passed his fortieth year, and about half of it was achieved after he had reached the age at which Shakespeare died. The three plays which are now regarded as his greatest, *Heartbreak House, Back to Methuselah* and *Saint Joan,* were written when he was well over 60. He was 58 when his most notorious political pamphlet, *Common Sense About the War,* which time has amply justified, was published, and he was 72 when he wrote a long and closely argued book on economics, entitled *The Intelligent Woman's Guide to Capitalism and Socialism.*

His ability to provoke controversy and his fertility in debating ideas were fully sustained in *The Adventures of a Black Girl in Search of God,* a small work which was issued in his seventy-sixth year and immediately caused a large number of replies to be written by clergymen of advanced views. A distinguished theologian, Canon Streeter, complained that Mr. Shaw was unacquainted with recent developments in theological thought, but the complaint was scarcely justified since Shaw was tilting at popular conceptions of religion and not at those held by advanced theologians.

Early in 1934, while on a voyage to and from New Zealand, Shaw wrote one short and two long plays. He was then nearly 78. Most recently, in his seventy-ninth year, his play *The Simpleton of the Unexpected Isles* was produced by the Theatre Guild in New York on Feb. 10, 1935.

The list of Shaw's plays is too long to be set forth in this article, but it includes an astonishing variety of work, ranging from exposures of social wrongs, as for example slum ownership in *Widowers' Houses* and organized prostitution in *Mrs. Warren's Profession,* to philosophical and religious disquisitions, as in *Misalliance, Androcles and the Lion* and *Heartbreak House;* metabiological prophecies, as in *Back to Methuselah;* dramatized historical chronicles as in *Caesar and Cleopatra* and *Saint Joan,* and political lamentations, as in *The Apple Cart, Too True to Be Good* and *On the Rocks.*

In these three political plays, his bias against democracy is plainly re-

vealed, especially in the long prefaces which accompany them in publication. In the preface to *On The Rocks,* indeed, his most ardent admirers receive some shocks to their faith in his beliefs, for he here ranges himself on the side of the most arbitrary dictators, although in doing so he contrives in an amazing manner to contradict himself. The preface, a brilliant and vigorous piece of prose, enshrining many noble sentiments and phrases, opens with the assertion that "we are confronted with * * * a growing perception that if we desire a certain type of civilization and culture we must exterminate the sort of people who do not fit into it," and ends with a flat contradiction of this assertion, namely, "that a civilization cannot progress without criticism, and must therefore, to save itself from stagnation and putrefaction, declare impunity for criticism. This means impunity not only for propositions which, however novel, seem interesting, statesmanlike, and respectable, but for propositions that shock the uncritical as obscene, seditious, blasphemous, heretical, and revolutionary."

The Shaw who wrote the conclusion of that preface is vastly different from, and more impressive than, the Shaw who wrote its beginning. A society in which a man is exterminated or, in the euphemistic expression used by the Bolshevists, liquidated because he does not strictly conform to the wishes of those who happen to be in authority, is a tyranny, whether it calls itself a Fascist State or a Soviet; and those who make this demand of every member of the community arrogantly assume that they possess the absolute truth about life and government.

But Shaw, in the brilliant dialogue between Pilate and Jesus which he includes in the preface to *On the Rocks,* makes the Saviour say: "Law is blind without counsel. The counsel men agree with is vain: it is only the echo of their own voices. A million echoes will not help you to rule righteously. But he who does not fear you and shews you the other side is a pearl of the greatest price." In that reply Jesus is made to destroy the argument for democracy, but in it He destroys also the argument for dictatorship. "Beware," Jesus is made to say to Pilate, "how you kill a thought that is new to you. For that thought may be the foundation of the kingdom of God on earth."

It is strange that the Shaw who imagined those words should also have imagined the dreadful plea for intolerance and tyranny with which he fills the opening pages of this extraordinary preface, stranger still that he should seem to tolerate systems of government that can only be compared, in their methods, to those of gangsters, and should be indifferent to the fact that those who plead for violent and repressive governments must, if they do not amend their ways, provoke their replacement by governments no less violent and repressive.

"There have been summits of civilization," Shaw says, "at which heretics like Socrates, who was killed because he was wiser than his neighbors, have not been tortured, but ordered to kill themselves in the most painless manner known to their judges. But from that summit there was a speedy relapse into our present savagery."

Does Shaw regard the alternatives presented by Hitler to his erstwhile colleagues, of committing suicide or being executed, as a return to that summit? Or may we believe that the wretched Roehm, when offered this alternative by Hitler, a little redeemed an ignoble life by refusing to shoot himself and insisting that Hitler

should do his own dirty work? Is the life of man to be a succession of tyrannies, each vaunting itself to be full of good intentions and at the same time surpassing its predecessors in bloody brutalities until, "to the end of history," as Caesar says to Cleopatra, "murder shall breed murder, always in the name of right and honor and peace, until the gods are tired of blood and create a race that can understand"?

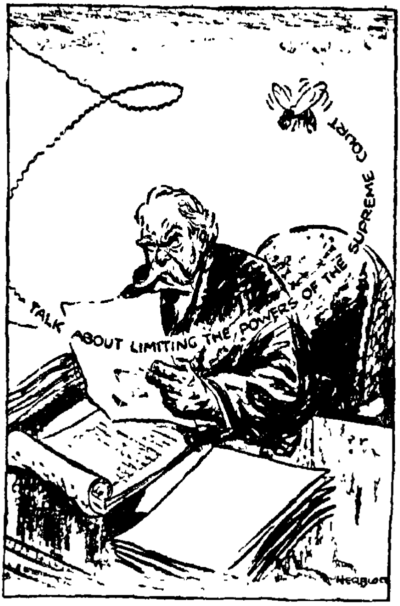
The general religious belief expressed in the plays—and the word "religious" is used advisedly, for nothing is so plain in Shaw's writing as his intense religious fervor—is that God, or the Life Force, is an imperfect Power striving to become perfect. If He were omniscient and omnipotent He would not tolerate certain horrors in the lives of His creatures any more than an ordinary father would tolerate disease in his children if he could prevent it. The whole of time, in Shaw's opinion, has been occupied by God in experiments with instruments to help Him in His attempt to perfect Himself. When He found that these instruments were either useless or no longer serviceable, He scrapped them. If man fails to achieve God's purpose, God, according to Shaw, will become impatient with him as He became impatient with the mammoth beasts, and will inexorably scrap him.

Shaw, in his old age, is physically as fine as ever he was. His tall, erect figure—he is about six feet in height—is as supple as a young man's. He walks as vigorously as any youth, and can outlast his juniors on any hill. His beard and hair, once red, are now almost white, save where a tint of the original red remains. His light blue eyes are full of laughter that can, however, fade into noble anger. In spite of his amiability, he can be devastating in his attitude toward fools and knaves, and he speaks his mind almost brutally to those who try to impose upon his kindness or his belief. He does not suffer fools gladly. He does not suffer them at all.

His life is austere and his habits are solitary. He does not drink intoxicating liquors nor does he smoke. He is a vegetarian. Controversy and debate and all forms of intelligent discourse are his chief recreations. He does not play any organized games—his aristocratic nature forbids him to take part in democratic enterprises—but is fond of motoring, reading, swimming and walking. Each of these amusements or exercises, it will be observed, is either exclusively, or almost exclusively, a solitary pastime. His attachment to the theatre and to music and to pictures is known, but his attachment to the cinema is less known and less understandable. He is fond of his friends but is not dependent on them. Oscar Wilde's epigram, "Shaw has no enemies, but his friends do not like him," is, as many of Wilde's epigrams are, both false and silly, for Shaw's friends are deeply attached to him, and he has many enemies.

It has been his fate to live long enough to find his audacities accepted as a part of the common belief, and he is no longer regarded as startling, is even accused, by the very young and the very aged, of being old-fashioned and out of date. He bears these charges with gayety and fortitude, although he is sometimes suspected of exerting himself overmuch to retain the good opinion of the young. Although it is inevitable that a man of genius shall seem smaller to one generation, especially the generation which follows his own, than to another, Shaw has been the potent figure of his time, and that potency will not fade or pass.

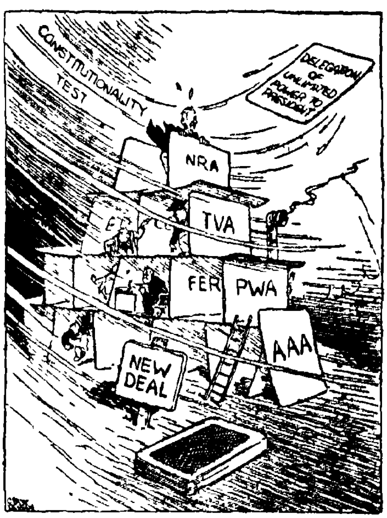
Current History in Cartoons



Bzzzzzzz
—*Emporia Daily Gazette*



Blocked
—*Rochester Times-Union*



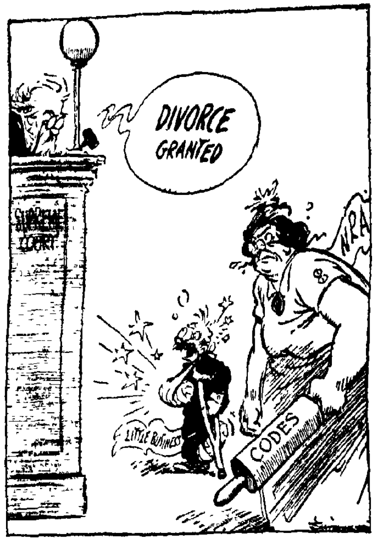
The house of cards
—*Chicago Daily News*



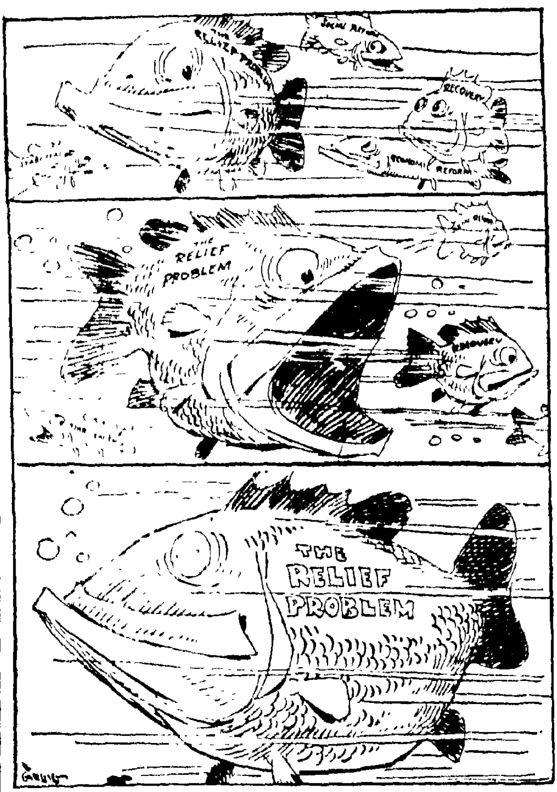
Lilliputian rope
—*St. Louis Star-Times*



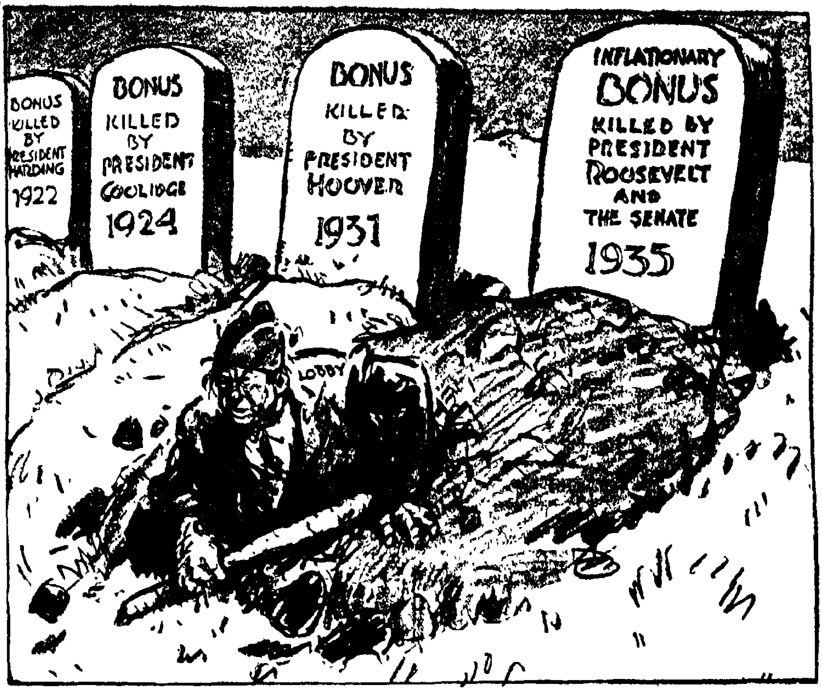
"I only needed the harness lifted"
—*St Louis Post-Dispatch*



Good news
—*Chicago Daily News*



The big fish and the little fish
—*Portland Press Herald*



Graves he has known
—*New York World-Telegram*



Line-up in the wheat belt
—*Dallas Morning News*



Uncle Franklin's unpleasant job
—*Daily Oklahoman*



Still worshiped
—*St. Louis Star-Times*



Growing
—*Providence Journal*



"You fellows care if I sit in?"
—*Chattanooga Times*



The sleeper wakes

—De Groene Amsterdammer



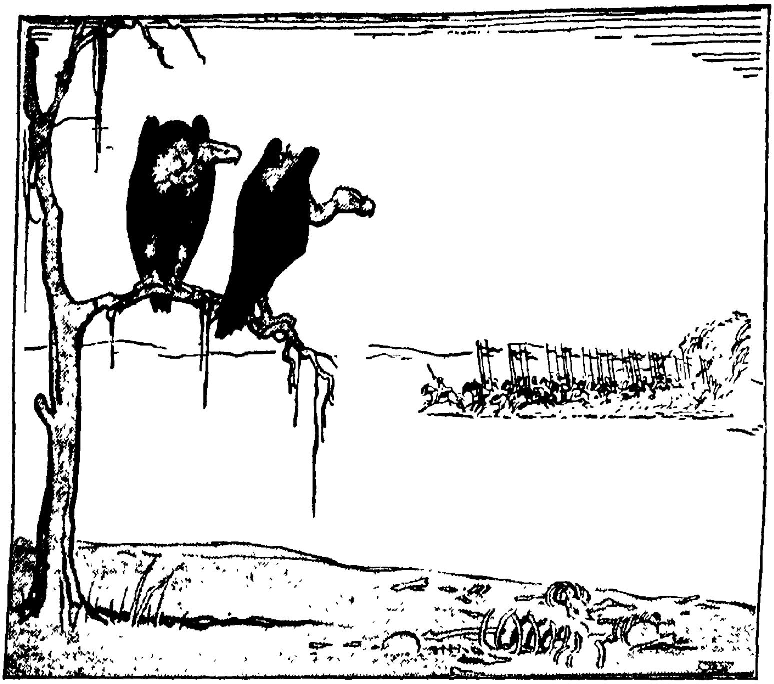
Just call me "pal"

—Arizona Republic, Phoenix



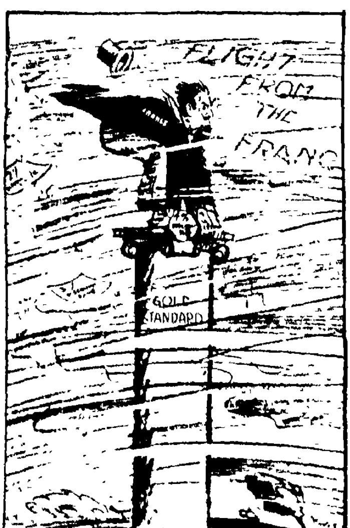
Olive branch from Albion

—The Sun, Baltimore



On watch in Abyssinia

—*Glasgow Record*



How long can he hang on?
- *Christian Science Monitor*



Mars (at the American manoeuvres)—"What a waste of good material!"
—*Guerin Meschino,* Milan

A Month's World History

Chronology of Current Events

(Figures indicate page numbers.)

International Events

May 10—Laval visits Warsaw (404).

May 15—Soviet Union and France seek Eastern European accord (404).

May 16—Soviet Russia and Czechoslovakia sign mutual assistance pact (404).

May 20—Ethiopia's ruler makes personal appeal to the League (408)

May 22—International Wheat Advisory Commission meets in London (406).

May 24—Italy submits to League on arbitration with Ethiopia (409).

The United States

May 6—Supreme Court voids Railroad Pensions Act (345) Senator Cutting killed in air crash.

May 7—Senate passes Patman bonus bill.

May 9—House passes Banking bill.

May 11—Rural power agency set up.

May 13—Secretary Morgenthau invites nations to move toward stabilization (405).

May 14—Senate votes ten months' extension of the NRA. Senate rejects Long's demand for Farley inquiry. Senate votes Norris bill to strengthen TVA. Roosevelt attacks AAA foes in speech to farmers. Toledo auto strike ends. Filipinos endorse Commonwealth scheme in plebiscite.

May 15—Hoover advocates abolition of the NRA.

May 16—Senate passes Wagner Labor Bill.

May 20—President Roosevelt sets scale of relief wages.

May 21—Jane Addams dies.

May 22—President Roosevelt vetoes bonus (360).

May 23—Senate sustains bonus veto (360).

May 27—Supreme Court rules NIRA and Frazier-Lemke Act unconstitutional (346).

May 31—President Roosevelt suggests constitutional change as political issue (350).

Canada

May 20—Parliament reassembles at Ottawa (410).

Latin America

May 26—Congressional election in Colombia (413).

Pan-American Commercial Conference meets at Buenos Aires (415).

June 9—Bolivia and Paraguay accept temporary truce in Chaco (413).

The British Empire

May 1—First public sitting of British Arms Inquiry (418).

May 6—Jubilee celebrations begin in Britain.

May 15—Free State Budget introduced in Dail (419).

May 17—Dublin transport strike ends (418).

May 22—British Commons approves air expansion (403).

May 24—Western Australia Secession Petition refused by Parliamentary Committee (419).

May 29—Housing Bill passes House of Commons (417).

June 5—Government of India Bill passes House of Commons (417).

June 7—Stanley Baldwin forms government upon resignation of Ramsay MacDonald (416).

France and Belgium

May 5-12—Municipal elections in France (421)

May 19—French Line strike ends.

May 23—Bank of France raises rediscount rate (422).

May 27—Belgian mine strike ends (424).

May 28—Premier Flandin asks French Parliament for extraordinary powers (422).

May 31—Flandin Cabinet falls (423).

May 31—Fernand Bouisson forms French Cabinet (423).

June 4—Bouisson Cabinet falls in Paris (423).

June 7—Laval forms French Cabinet (423).

Germany and Switzerland

May 14—Swiss Court holds "Protocols of Zion" are forgeries.

May 21—New German Army Law decreed (425).

May 22—Hitler before the Reichstag delivers *conciliatory speech on international affairs (402)*

June 2—Swiss referendum rejects constitutional amendment (428).

Spain and Italy

May 6—Lerroux forms Spanish Cabinet (425).

May 7—Italy calls 200,000 to colors (407)

May 14—Mussolini warns powers to keep out of Ethiopian dispute (408).

Eastern Europe

May 5—Elections in Yugoslavia (435).

May 12—Marshal Pilsudski dies at Warsaw (431).

May 19—Nazis sweep German vote in Czech general election (434).

May 27—General Goering visits King *Boris of Bulgaria (405).*

June 9—Parliamentary elections in Greece (436).

Northern Europe

May 2—Lithuania replies to Guarantor's protest note on Memel (437).

May 5—Three year mandate of Memel Chamber of Deputies ends (437).

May 18—President Smetona of Lithuania commutes death sentences of Memel Nazis (437).

May 25—Trade treaty between Sweden and the United States signed (438).

May 27—Sweden celebrates 500th anni*versary of her Parliament (438).*

The Near and Middle East

May 1—Turkish Government purchases Smyrna-Aidin Railway from British interests (442).

May 2—Heir to Iraqi throne born (444).

May 5—Minor plot against Turkish republic discovered at Isparta (442).

May 10-17—General Congress of Turkish Republican People's party (442).

May 18—Turkish Cabinet adopts premilitary training for children (442).

May 22—Egyptian Cabinet approves public works plan.

May 23—Tribal revolt in Iraq reported crushed (444)

May 25—League Council postpones decision on frontier dispute between Iraq and Iran (443).

The Far East

May 10—Japan sets up National Policy Council to curb military

May 16—United States, Britain and Japan announce establishment of Chinese embassies.

May 29—Japanese Army threatens to occupy region south of Great Wall (446).

June 5—Chinese Government reported as yielding to Japanese demands (446)

Peaceful Counsels in Europe

By ALLAN NEVINS

AFTER weeks of hectic uncertainty and trepidation, Europe in May treated the world to a humdrum, unexciting month. Hitler faded from the newspapers' front pages, sometimes even from the inside pages, for days together. Such minor occurrences as King George's Silver Jubilee, the death of Pilsudski and the first voyage of the French liner Normandie have given the news its principal touches of color. Probably a considerable part of the English-speaking world, if asked to state the most interesting European event of the month, would pass over Hitler's speech of May 22 and say that it was the death of Lawrence of Arabia. Nothing aroused much international emotion save the continued Italian mobilization, material and moral (perhaps we should say immoral), against Abyssinia. There appeared a hopeful prospect that, with Germany temporarily satisfied by her achievement of the full right to arm, and no nation prepared to embark upon hostilities, Europe was about to begin a peaceful Summer.

It is especially pleasant to record that there has been an end not only to the panic started by Hitler's abrupt repudiation of the military clauses of the Versailles treaty but to the hostile precautionary movements that seemed to aim at the utter isolation of Germany. Western Europe has recovered from its attack of nerves.

Stresa has had no sequels; it re-emphasized the Locarno pact, and Great Britain at least is unwilling to go beyond that. No doubt France would like to encircle Germany with an iron ring of unyielding nations, but for several reasons no further movements have been made in that direction. France has had her hands full with her financial troubles, Italy with her African question. And Great Britain has been interested chiefly in trying to learn what Germany really wants and what she will really offer.

May opened, in fact, with a formal British declaration of policy obviously directed toward Germany. Prime Minister MacDonald on May 2 initiated a debate on foreign affairs in the Commons by making three definite statements: (1) That Great Britain's air strength must be kept fully equivalent to Germany's, and that "accelerated expansion" of the air force was therefore necessary; (2) that the government was anxious to see the senseless competition in aerial armaments stopped, that the obvious way to do this was by the addition of a new air agreement, signed by France, Germany, Italy, Belgium and Britain, to the Locarno pact, and that the government recommended suitable steps, "especially to the German Government"; (3) that while the British deplored the German decision to build submarines, they still attached hopes to the Anglo-German naval discussions to begin at the end of the month. MacDonald referred to the partnership of Great Britain, France and Italy as not only a guarantee of peace but a free companionship into which every peace-loving nation would be welcomed.

The ensuing debate was distinctly conciliatory. Sir Herbert Samuel, supporting the proposed air agreement, asked Germany to realize that the British people would resent having to shoulder a heavy new competitive burden. George Lansbury spoke of the vital importance of using pacts and alliances only in conjunction with the League, not in place of it. Sir John Simon, in closing the discussion, emphasized the importance of Great Britain's rôle as a mediator, and implored Germany to do her part for peace not merely by words but deeds. Sir Austen Chamberlain alone was somewhat threatening.

A few days later—on May 7—the House of Lords debated a Laborite motion regretting the League resolution of censure on the Reich, and asking the government "to resume negotiations with Germany on lines which will be acceptable to the German people and will assure permanent peace in Europe." This evoked from Lord Stanhope, Foreign Under-Secretary, an invitation to Germany. She had often objected to the proposals of other nations, such as the Eastern Locarno. "Very well, let her propose an arrangement and let us see if we can get agreement on proposals she herself stands by."

This was plainly an effort on Great Britain's part to remove the sting of the silly, hypocritical and worse than useless "censure" of the Reich by the League Council, and to coax Hitler into the paths of peace. There was a certain magnanimity about it. We must recall that the Stresa Conference had been immediately followed by Germany's announcement that her air fleet was as large as Great Britain's and this in turn by the news that she had recommenced the construction of submarines. But the British are anxous to avoid heavy new taxes for armaments, and Stresa made many of them nervous lest their ideal of a "collective system" in Europe be replaced by the hard actuality of Eu-

ropean domination by an alignment of the Soviet Union, France, Italy and Great Britain—a precarious and dangerous domination. British moderates insist that the return of Germany should be made easy.

Hitler was thus invited to speak, and speak he did, at great length and with dramatic effect, before the Reichstag on May 22. His address disappointed his enemies and detractors, and heartened all remaining friends of Germany. Direct, frank, logical in structure, brilliant in presentation, it did not lack vigor or even touches of defiance. He denounced with energy the Versailles treaty as an instrument designed to reduce Germany forever to the position of a second-rate power; he declared that the Reich had now determined for itself the size of its armaments, and would accept no dictation in the matter; and he derided some of MacDonald's statements about Allied disarmament. But his central theme was Germany's devotion to peace.

The Nazi Government, Hitler said, had vast plans for internal growth and reorganization. Its immediate undertakings could hardly be realized within ten or twenty years: its more idealistic aims within fifty. The imperative requirement of National Socialism was peace and economy. His speech made an instant impression not only of fairness and earnestness but of increased maturity and sense of responsibility.

Although there was little that was absolutely new in the speech, it did restate many of Hitler's former assurances with enhanced force. He said once more that Germany would unconditionally respect all parts of the Versailles treaty except the armament clauses; that since the Saar plebiscite she had no further territorial demands to make upon France; that she would accept (however reluctantly) the demilitarization of the Rhineland; that she hoped to renew again and again her treaty with Poland; that she had no intention of interfering in the internal affairs of Austria, though she does wish to see the Austrian people given full rights of self-determination; and that she regretted her recent estrangement from Italy.

Hitler also reiterated Germany's willingness to agree to the limitation of navies, air forces and land armaments. The Reich, he said, would keep her fleet restricted to 35 per cent of the British strength; it would gladly limit or abolish submarines; and it would go as far as the other powers in placing bounds upon the use of heavy artillery and heavy tanks. He repeated that Germany stood ready to sign immediately an air convention supplementing the Locarno pact. While he had made all these statements before, he had never made them in so comprehensive or categorical a form, and his willingness to accept the demilitarization of the Rhineland was especially notable.

It is true that Hitler left himself some loopholes. He stated that while Germany will join at any time in a truly collective system for maintaining peace, she "considers it necessary to meet the law of eternal development through a reservation for the revision of treaties." But he added distinctly that he believes in revising treaties—he doubtless had the Eastern frontiers in mind—by peaceful understanding. It is true also that Hitler may not be so trustworthy a spokesman for Nazi Germany as he thinks he is. It would be interesting to know what General von Blomberg and other high military leaders think. But on the whole, the speech may be taken as an emphatic pledge of the

present German Government to respect the peace and join in the work of armament reduction—if other nations move in the same direction.

The reception of the speech was generally cordial. To be sure, sections of the French and Russian press treated it with hostile suspicion. Those sections would attack the Angel Gabriel if he descended from heaven with a peace plan. But officially the French attitude was responsive. Government circles in Paris let it be known that they regarded the speech as "abolishing for the present the tension that has existed for the past three months." Neither Premier Flandin nor Foreign Minister Laval commented immediately. But Henri Bérenger, head of the Senate Foreign Affairs Committee, said for them on May 29 that they considered the speech the most decisive diplomatic act of the Third Reich, and that while they dissented from much of it, they also agreed with much. M. Bérenger added that however impossible it might be to think of a Franco-German rapprochement for years to come, he believed that a businesslike arrangement on the basis of mutual respect was perfectly possible. Satisfaction with the speech was expressed in Rome and Warsaw, while Vienna alone showed resentment. But the British response was naturally most cordial.

The British at once leaped at the hope of an early air Locarno; and as the month closed it seemed that this hope had a solid basis. On May 30 the British Government announced that it had received from Dr. von Hoesch, the Reich Ambassador, a draft scheme for a Western European air pact that Hitler would approve. The British had meanwhile drafted in outline an air treaty for submission to the four other nations, which included a limitation of military aircraft and a scheme of international supervision of production. On May 31, when the House of Commons again debated national defense, Sir John Simon repeated that Germany had submitted a plan, but gave no details.

The Labor party seized upon the German offer as an argument for delaying the actual commencement of the new program for trebling the British air forces; the government should wait until October, their leaders declared. But both Simon and Eden thought this altogether too risky. Postponement, said Eden, "is just the one thing we cannot consent to under present conditions." The Soviet Union is now credited with 2,300 fighting planes, most of them in Europe; France with 1,500 in Europe and North Africa. Great Britain, under the program approved by the House of Commons on May 22 by a vote of 340 to 53, is building up to the 1,500 mark to keep abreast of Germany. But 1,500 first-line machines (as compared with 580 today) will cost a great deal of money which the British would like to save.

The all-important question was whether the French Government would consent to an air Locarno if negotiated apart from the other items of the Anglo-French program of Feb. 3. The British were all for immediate action. Both Sir John Simon and Captain Eden said so emphatically in the debate of May 31. They argued that only an air Locarno could prevent Germany from building up to the French strength within a year. They pointed out that Great Britain and Italy had a right to ask France to yield her old demand for the whole program or none, for up to now these two nations had buttressed the Locarno treaty without gaining anything directly from it.

As a matter of fact, the all-or-none

program would mean none. Part of the suggestions of Feb. 3 have been made obsolete by German action; others Germany would never accept. It is hard to see any reason for not proceeding with disarmament piecemeal, for, as Sir John Simon said, an air Locarno could be fitted into the general program later. At any rate, the most interesting question in European affairs today is whether Great Britain and Germany can put through a limitation on air forces, or whether the nations will continue building fleets that could reduce the whole Continent to a shambles within a few days.

M. LAVAL'S TRAVELS

In Eastern Europe the great event of the month was the death of Marshal Pilsudski. Next to this event, the subject of greatest interest was the trip which M. Laval, the French Foreign Minister, made on May 9-16 to Warsaw and Moscow. He left the Polish capital just before Pilsudski passed away. It is too early to assess the effect of the Marshal's disappearance upon Franco-Polish relations, but since Pilsudski's greatest hatred was of Russia, it is possible that Poland will now show France somewhat more cordiality than in the past year.

The great object of Laval's visit to Warsaw was to explain the new Franco-Russian treaty. The Poles feel that it needs a good deal of explaining. Their press was even chillier to Laval than it had been to his predecessor, M. Barthou. Polish leaders fear that the treaty may contain secret clauses and that, even if it does not, Russian troops, in case Germany and France went to war, would try to cross Poland to attack Germany.

News dispatches gave but a hazy idea of what passed between Laval and the Polish Government. They indicated that the French Foreign Minister explained and defended the new treaty at length. They also indicated that he broached the idea of a revised Eastern pact to include Poland, Germany and Russia on the basis of mutual pledges of non-aggression, but without the pledges of mutual assistance to which Poland and Germany have so vehemently objected. For the public, an official communiqué stated that M. Laval and Colonel Beck had renewed the "close solidarity of the Franco-Polish alliance."

Laval was in Moscow on May 13. Here again were long talks. And here also the principal theme of discussion was a revised Eastern pact. On May 15 the French and Russian Foreign Ministers issued a joint statement that was taken as an invitation to the nations that refused to join the Eastern Locarno to come into a non-aggression compact—without military obligations. Already, of course, the German Government has indicated that it would look with favor on such a compact; Sir John Simon so announced in its behalf at Stresa on April 12. It is hoped that Poland will show equal willingness. But many practical details will have to be settled before the German and Polish leaders are ready to set their pens to paper. Meanwhile, on May 16, Czechoslovakia and Russia signed at Prague a mutual assistance pact similar to the recent Franco-Russian treaty.

DANUBIAN RIVALRIES

Though it has attracted little notice from the outside world, the political pot in the valley of the Danube has been simmering merrily. The reasons for this are simple. Mussolini's primary object in calling a conference of Danubian nations at Rome in June was to bring about an arrangement

for collective security that would help to stabilize Central Europe. He would like to see Austria, Czechoslovakia, Yugoslavia, Rumania, Hungary and Bulgaria agree to their present boundaries and to mutual guarantees of integrity. France and Great Britain would also like to see this. Hence the action they took at Stresa. The three powers joined there in recommending that the Little Entente agree to the rearmament of Austria, Hungary and Bulgaria in return for a system of collective guarantees.

But this program at once met obstacles. The Little Entente has been reluctant to sanction the rearmament of the restless Hungarians and Bulgarians. They do not trust these nations, which are fiercely discontented with their boundaries. They also declare that it is inconsistent for the great powers, which have been condemning German rearmament, to recommend it in the case of the neighbors of the Little Entente. Nor does this complete the opposition. Both Hungary and Bulgaria are unwilling to exchange their signatures to a mutual-guarantee system for the mere right to rearm. Hungary at least has been exercising that right anyway, as Germany did before her. She finds it hardly worth while to give up all her hopes of a revision of frontiers for a privilege she can easily seize.

In an effort to clear away some of these obstacles representatives of Italy, Austria and Hungary met at Venice at the beginning of May. They closed their conference on May 6 with a tacit agreement—according to press reports—to favor Hungarian demands for a larger army in exchange for Hungary's adherence to a treaty guaranteeing Austrian independence. It was also said that Italy would give moral support to the rectification of Hungary's frontiers.

The news of these decisions apparently had some effect upon the Little Entente. At any rate, a conference at Bucharest on May 10 and 11 of Ministers representing Czechoslovakia, Yugoslavia, Rumania and Greece reached a decision calculated to please the great powers. They took a realistic view of the situation. Bulgaria and Hungary were rearming secretly, and they could not stop it; why not get something for their consent? They therefore agreed to the precise recommendation made at Stresa. The Little Entente and Greece will not oppose rearmament of their World War enemies if Bulgaria and Hungary will join them in a six-power pact of non-aggression and mutual assistance.

It remains to be seen, of course, whether Bulgaria and Hungary will so agree. Neither nation regards its present limits as tolerable; and Hungary in particular has a strong moral case for the rectification of her boundaries. On May 27 the German Air Minister, Wilhelm Goering, visited Sofia—some said to negotiate a secret treaty with Bulgaria. It became known at the same time that a Bulgarian delegation recently paid a secret visit to Berlin. The next few months may well see some interesting decisions taken in this part of the world.

ECONOMIC AFFAIRS

In the economic and financial fields little has of late been accomplished for a greater measure of world cooperation. Secretary Morgenthau in a radio address on May 13 directly invited other nations to confer on the stabilization of the world's currencies, and at the same time indicated that the United States was prepared to protect itself if further devaluation took place abroad. This was perhaps in answer

to Mr. Hoover's recent demand for an early return to the gold standard. The response to the speech in Great Britain was chilly, while France was plunged before the end of the month into the gravest uncertainty regarding her currency. Secretary Hull also made a radio speech on May 22, appealing for cooperative action among nations to revive foreign trade by restoring price structures, lowering tariffs, and removing artificial trade barriers. These two utterances indicated a praiseworthy attitude on the part of the Roosevelt administration, but Europe will be slow to forget the fiasco of the World Economic Conference which we ourselves called in 1933.

A meeting of the International Wheat Advisory Commission was held in London on May 22-24, but accomplished next to nothing. The so-called wheat pact concluded two years ago was to lapse on July 31 next. Already it had been virtually nullified by the refusal of Argentina, which has enjoyed bumper crops, to keep within the export total allocated to her. She exceeded her quota for 1933-34 by nearly 50,000,000 bushels, and is expected to exceed the quota for 1934-35 by more than 30,000,000. The first session of the board found the representatives of the twenty-one nations concerned in a suspicious and discontented mood. They finally agreed to an extension of the pact for one year —but *with all governmental control undertakings suspended indefinitely. In other words, there is a compact but* no enforcement.

Italy's Aims in Abyssinia

THE relations between Italy and Abyssinia gave rise early in May to really acute anxiety on the part of other powers, and for the first time caused a serious crisis at Geneva.

This anxiety was engendered at bottom by the obscurity that envelops Italy's intentions. It is said that the whole Italian demonstration against Abyssinia is a personal undertaking of Mussolini's, entered upon against the advice of Italian experts. But exactly what does it represent? Does he purpose the subjugation and annexation of Abyssinia? Does he intend merely to intimidate the Abyssinian tribes by a show of force and wring from them substantial concessions—say a band of territory to connect Eritrea with Italian Somaliland, with trading privileges? Or is he, as he now and then hints, a sincere lover of peace, who has sent enormous forces into Africa simply because he has been rendered nervous by the heavy Abyssinian purchases of arms, the mobilization of Abyssinian forces and the hostility of many Abyssinian chieftains to the drawing of a new boundary? There are few who accept this third hypothesis. The choice lies between the first two, and the indications have thickened that Mussolini is bent upon conquest and annexation in the face of world sentiment.

There is an absurd disproportion between Italian grievances and the Italian thunder of speeches, newspaper broadsides and warlike preparations. One set of grievances has to do with border clashes between Italian and Ethiopian levies like that at Walwal. These are pin-pricks. The French have peaceably endured much worse marauding raids on the Moroccan and other frontiers for many years. The British authorities in the Anglo-Egyptian Sudan, to use a more forcible

comparison, have for decades suffered in far greater degree from uncontrolled Ethiopian tribes and have spent huge sums in patrolling their frontier without losing their temper. They have done so because they recognize that the Abyssinian Government has honestly done its best to control the turbulent raiders.

The other set of Italian grievances has to do with the undefined boundary and with disputed jurisdiction over certain wells at Walwal, Afdub and other border spots. It is said that official Italian maps as recently as 1925 placed the disputed area well within the Abyssinian boundary. But even if the Italian claim is good, the wells are simply brackish watering-places in a treeless, thorny scrub, sparsely populated, arid and of very slight value even for grazing. And, whatever the line, tribesmen on both sides of it could amicably water their flocks in common at the wells, as they have done for centuries past.

The apprehension and antagonism which the Italian movement has aroused in Great Britain and France have various roots. In part it springs from sympathy with weak little Abyssinia as she faces her powerful enemy. In part it is motivated by a conviction that the League, to which France got Abyssinia admitted some years ago, must be upheld. But there are more realistic considerations.

Under the Tripartite Agreement of 1906, Great Britain, France and Italy pledged themselves to respect Abyssinian independence, but also marked off for themselves certain spheres of influence. The French reserved certain rights in connection with the railroad from Jibuti to Addis Ababa. The British put in a caveat against any foreign control over Lake Tsana, one of the sources of the Blue Nile. And the Italians made it clear that if anything happened to Abyssinian independence they would regard Southern Abyssinia as their spoil. This Tripartite Treaty was modified by the recent Italo-French agreement, by which Italy received a share in the Jibuti-Addis Ababa railroad. But France and Great Britain do not want an Italian conquest to obliterate their rights in Abyssinia. Nor do they want Italy to involve herself in Africa in a fashion that would weaken the Anglo-Franco-Italian front against Germany.

That front might be weakened in either of two ways. If an Italo-Abyssinian war breaks out, it might well consume more energy than Italy expects and leave her financially exhausted. No informed observer doubts that the war would be costly in blood and money and doubtful in result. The mountainous terrain, the hot climate and the fierce fighting temper of the Ethiopian tribesmen would combine to make military operations on a large scale difficult, with a possibility of heavy reverses. But the solidarity of the League powers might be broken in another way. If the League exerted itself to the utmost to restrain Italy from war, it might inspire the resentful Mussolini to withdraw. The result might be to throw Mussolini and Hitler together. The Italian press has already displayed an extraordinary antagonism toward Great Britain. It must be remembered that Mussolini cannot afford to lose heavily in prestige, for that would react upon the already nervous internal situation in Italy. Whichever way men look, the problem raised by Mussolini in impetuously embarking upon this African adventure has grave dangers.

The critical phase dates from May 7. On that day Mussolini ordered the mobilization of the entire 1913 class of recruits, 200,000 strong, for African service, and warned his people of

"the gravity of the situation." Simultaneously the Under-Secretary for the Colonies (Mussolini himself is Colonial Minister) declared it abhorrent that "a slave-holding, barbarous land" like Ethiopia should rule so much of Africa.

Diplomatic consultations were held on May 10 in both London and Paris. The British and French press, alarmed by the Italian preparations, began speaking of informal representations in Rome, of joint pressure and even of "intervention." This inspired Mussolini to treat the Italian Senate on May 14 to a fiery "hands off" address. He made it clear that he was irritated by the Anglo-French consultation. Italy, he said, would send as many troops to Africa as she pleased; he intended to take too many precautions for the safety of his colonies rather than too few; Italy would certainly brook no advice, much less interference, in so delicate a matter. He spoke significantly of the peril of harboring any "illusions" about the chances of a peaceful outcome.

This ominous speech found still more ominous echoes in the well-trained Italian press. It began reiterating certain ideas like a great sounding-board. It spoke of the sinfulness of various nations, France as well as Germany, in sending arms to Ethiopia. It assailed the hypocrisy of the British in objecting to Italian mobilization when they themselves were arming the Sudan frontier. It asserted that the savage slaveholders of Abyssinia are a blot upon African civilization. It declared that England and France should rejoice to see Italy put an end to the Abyssinian menace to their own colonies. It assailed the Ethiopian Government for not appointing commissioners of conciliation under the treaty of 1928.

These newspaper outbursts were as inaccurate as they were venomous. Germany denied any shipments of arms to Abyssinia. Great Britain denied arming the Sudan frontier. Ethiopia has been attempting to abolish slavery; on May 18 the Emperor Haile Selassie, by sweeping decree, abolished serfdom throughout the land. It will take some time to enforce this decree among the feudal chieftains, but a beginning has been made. As for conciliation, the Abyssinians on May 17 named their own commissioners to meet two Italians already selected. Their representatives are an American, Pitman B. Potter, and a Frenchman, Albert de la Pradelle. But the Italian Government had already hamstrung the commission. It insisted that the body must confine its inquiry to the Walwal border incident, and avoid all consideration of the delimitation of the frontier and the interpretation of border treaties—the really important issues.

The whole Italian attitude, and particularly the cant about Abyssinian barbarism, looked like war. The lamb may well tremble when the wolf begins to blacken its character. The result was a bold display of leadership by Captain Eden at the eighty-sixth meeting of the League Council, beginning at Geneva on May 20. It was impossible for the League to shirk its duties. Viscount Cecil of Chelwood in a noble speech of May 16 made it clear that its friends would not permit that. Moreover, the British and French Governments held that Mussolini had made promises at the Stresa conference which gave them a right to advise Italy. Eden and the Italian representative, Baron Pompeo Aloisi, arrived in Geneva on May 19. Next day the Emperor Haile Selassie appealed to the League in a dramatic cablegram to protect his domain against Italian aggression; and Eden

and Aloisi began their private talks.

Finding that Mussolini, to whom Aloisi told such blunt truths as to imperil his own career, was adamant, Captain Eden appealed to Pierre Laval, the French Foreign Minister, for assistance. It was Laval who had signed the pact of Rome with Mussolini on Jan. 8 of this year—the pact that gave Italy certain concessions in East Africa. He was therefore in a position to deal boldly with Mussolini, and he came to Eden's assistance in vigorous fashion. The two men warned the Italian dictator that if he did not yield, the League would take up the dispute under Article XV, and after full inquiry publish its findings to the world. Italy can hardly afford to have her African designs made the subject of a condemnatory report. For three days, May 22-24, the world waited to learn if and how Mussolini would yield. Then, on May 25, it learned that late the previous night he had given in and accepted two resolutions which the Council had at once passed.

The League thus achieved one of the signal triumphs of its recent history. Under the resolutions, Italy and Abyssinia are to have until July 25 to settle their quarrel in accordance with the conciliation plan provided by the treaty of 1928. If they fail, the Council then meets and names a neutral arbitrator to join the previous conciliators in effecting an agreement. If the dispute then drags on until Aug. 25, the Council will take it over entirely.

Triumphant though the League was, the decision represented a compromise. Mussolini was compelled to recognize the League's jurisdiction; the British and French were forced to grant Italy's demand that for the present she deal alone with Abyssinia. Moreover, though the news dispatches said that the Conciliation Commission would consider the whole dispute, nothing in the resolutions showed that they would go beyond the Walwal incident. The compromise may prove dangerous. Italy can increase her forces to bulldoze Haile Selassie. If she wants to she can easily bring about some border incidents and suddenly present the League with the accomplished fact of war. The most reassuring feature of the situation as the League left it is that the rainy season will not end until September, some days after the Council is scheduled to take over the dispute, if unsettled, and active warfare is impossible in the rainy season.

Yet it still looked as if Mussolini wanted war, for hardly had the delegates left Geneva on May 25 than the dictator made a new and more threatening speech to the Chamber of Deputies. This may have been a face-saving gesture after his concessions, but it looked rather like an assurance to the Italian people that the concessions meant nothing. He fiercely indicted Abyssinia for two horrible crimes—she had begun in 1929 to reorganize her army, and in 1930 to manufacture munitions of war! He called the Italian people to the defense of Eritrea and Somaliland. He spoke of the fact that the pending conciliation would be limited to the Walwal incident, and said again that "no one should nourish too many illusions on the subject." He declared that Abyssinia must not remain a pistol pointed perennially at the Italian head. And he closed by saying that Italy was "ready to assume all, even the supreme, responsibility." All this may have been rhetoric. The unhappy probability is that it is the prelude to another episode like the outrage upon Greece at Corfu. Europe succeeded in stopping that outrage. Can it stop the one now being planned? A. N.

Canada Considers Her Constitution

By J. BARTLET BREBNER

THE Canadian Government, in its efforts to cope with the depression by national legislation, finds itself faced with questions of constitutionality. This was the basis of the doubts expressed by Hugh Guthrie, Minister of Justice, when in May he introduced amendments to the criminal code for the enforcement of minimum wages and maximum hours. The difficulty is increased by the inevitable delays due to Canada's decision in 1931 to retain the right of appeal to the Judicial Committee of the Privy Council in London.

Parliament reassembled on May 20 after Prime Minister Bennett's return from the Silver Jubilee. The Commons passed the Unemployment Insurance Act and a $33,000,000 appropriation for public works, but only with endless wrangling between government and Opposition. The Cabinet, moreover, was said to be sharply divided over the draft legislation arising out of the Price Spreads Commission and only five modest bills reached Parliament. The uncertainty could be blamed on no one in particular, but it paralyzed governmental action.

The Liberal Opposition has consistently argued that the Dominion cannot constitutionally establish compulsory national social legislation or many of the commissions and other national economic controls recommended by the Price Spreads Commission. Business and industry, of course, dislike the prospect and are inclined to back the Liberals as the likely winners in the impending national election. More and more it is felt that far-reaching economic and social legislation must wait until after the country has delivered its verdict.

Mr. Bennett believed that he had circumvented some of the constitutional difficulties by exercising the Dominion's treaty-making power to ratify certain International Labor Office conventions relating to hours, but there seemed little doubt that Canada would have to consider revising the Constitution. The past six years have shown the need of re-examining Provincial indebtedness and the Provincial subsidy system, of integrating national and Provincial economies, of equalizing railway rates, of dealing with the surplus population in a contracted economy and of working out policies of international cooperation. Some, if not all, of these subjects seemed likely to be on the program of a Dominion-Provincial conference after the election. Dr. Arthur Beauchesne, Clerk of the Commons, in April asked the Parliamentary Committee on Constitutional Revision to consider a constituent assembly in Winnipeg, for which he submitted a list of subjects to be considered.

A much-discussed question during May was that of the Prime Minister's health and the future leadership of the Conservative party. London medical specialists pronounced Mr. Bennett to be organically sound but tired, but in no way did he indicate his intentions. By cutting out night work he managed quite well to carry on his Parliamentary duties and the radio would allow him to fight the election without undue exertion. Yet it was

generally believed that he would retire. Among those mentioned as likely to succeed him were H. H. Stevens, W. A. Gordon, Dr. R. J. Manion, W. D. Herridge and Senator Arthur Meighen. The fortunes of Mr. Stevens and Mr. Herridge depend on the popularity with the party and the nation of the "New Deal" they have sponsored. Conservative support for it, never enthusiastic, has distinctly weakened. Mr. Gordon, Minister of Labor, and Dr. Manion, Minister of Railways, are party regulars. Senator Meighen enjoys the double advantage of having been Prime Minister and of being on cordial terms with both Mr. Bennett and Mr. Stevens. His chances seemed best at the end of May, but a pronounced swing in favor of social reform would favor Mr. Herridge.

In addition to raising questions of the constitutionality of social legislation, Canadian Liberals have been professing to be concerned lest the Prime Minister commit Canada to unknown obligations during the conversations in London on imperial foreign policy and defense. Mr. Bennett joined the earlier meetings on foreign policy and reported on his return that the Dominions had in general supported British aims, but that Canada had made no commitments. He had reiterated Canada's insistence that Anglo-American relations be given major consideration in working out the problems of the Pacific. Moreover, Mr. Bennett left London for home before the meetings on defense on May 23, from which the Canadian High Commissioner in London also was absent.

Another evidence of Mr. Bennett's tactical good sense was the character of the royal honors list. The awards went to Liberals as well as Conservatives and, almost without exception, to those who had distinguished themselves in art, literature and public service. These exemplary choices, following almost equally good ones in the past, robbed Liberal objections to the revival of titles of much of their sting. It was notable, too, that no hereditary titles were given.

CANADIAN FOREIGN TRADE

Despite the Ottawa agreements and countervailing tariffs, Canada and the United States are rapidly again becoming each other's best customers and the old triangular relation in which Canada sells more to the United Kingdom than she buys from her and exercises any increased purchasing power in the United States has been reasserting itself. The total foreign trade continues to be distinctly better than in 1934 and the balance remained favorable, although imports increased. The most favorable sign in recent months has been increased sales in other countires as well as in the United Kingdom and the United States.

These trends, while most notable during the past six months, can be demonstrated by comparing figures for the twelve months ended April 30, 1935, with those of the preceding year. Canada's domestic exports to the United Kingdom and to the United States increased by 19.1 per cent and 14.4 per cent, respectively, and formed 41 per cent and 34 per cent of her total exports. Canada's imports from the United Kingdom and from the United States increased by 5.6 per cent and 23 per cent, respectively, and formed 21 per cent and 58 per cent of her total imports. Canada's total trade with empire countries was $502,629,000, an increase of 17.4 per cent, and with foreign countries $695,007,000, an increase of 12.5 per cent.

Chile Moves Toward Recovery

By Hubert Herring

President Arturo Alessandri, in his annual message to the Chilean Congress on May 21, gave an optimistic account of the nation's recovery. He held out hopes to bondholders of an early settlement. He stressed the excellent foreign relations of Chile and cited the forthcoming Chaco peace conference at Buenos Aires as evidence, though he failed to mention his own bellicose statements which a few weeks previously had all but wrecked the prospects for a conference. He announced that he would deal harshly with disturbers of the peace. He emphasized the improvement in Chilean agriculture, mining and industry.

It was the speech of a politician whose position is none too secure, for the easing of the depression in South America is making life more difficult for dictators born of hard times. Politically, President Alessandri represents the small minority of those who own land and other property. This minority is reasonably faithful to him, but dissident elements have become increasingly restive. The President's threat to use severe measures against malcontents is quite understandable.

Chile's foreign relations are not quite so happy as the President paints them. The chronic irritation between Chile and Argentina was not helped by his outburst in March. This was quickly glossed over, but the two Foreign Offices turned somewhat too ostentatiously to planning cooperative action for settling the Chaco embroglio. Behind it is the deep-seated Chilean suspicion of Argentina's ambition to secure hegemony in the headwaters of the Paraguay River and the equally obstinate Argentine conviction that Chile proposes to play with Bolivia in a Pacific entente.

During April and May the Chilean press renewed discussion of the Beagle Islands dispute and expressed anxiety over the Magallanes region of Chile. The Beagle Islands have been a bone of contention for many years. Because the Magallanes region is more readily accessible to Argentina than to Chile and is largely dependent upon Argentina economically, the Chilean President has revived the proposal for a tunnel to connect the region with Chile. Possibly this stirring of old international animosities can be explained by motives of expediency in domestic affairs.

The Alessandri government felt the repercussions of the Washington munitions inquiry which brought out some unsavory facts on the arms-buying of the Ibañez régime in Chile. President Alessandri has appointed a commission to study the charges that during the Ibañez régime some $60,000,000 was allocated to armaments, that adequate accounts were never rendered, and that some of this money was used for other and more devious purposes. This Chilean commission will hold secret hearings in order to escape what Chilean authorities regarded as the "unseemly indiscretions" of the Washington inquiry.

President Alessandri's optimism over the economic recovery of Chile seems well grounded. Chile's exports in 1934 increased by 44 per cent over

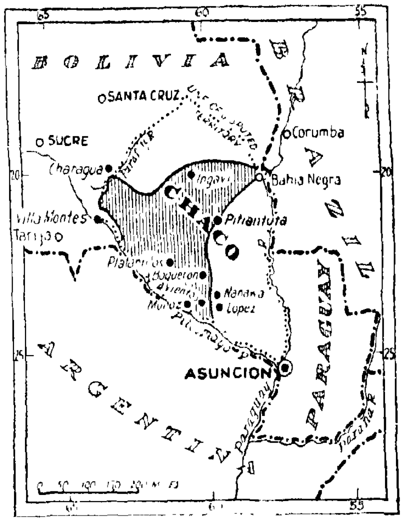
1933, while her imports increased 33 per cent. The most notable increases in production and export were in gold, copper and nitrates. Gold production registered a gain in 1934 of 64 per cent over 1933; copper was up 58 per cent; nitrate exports doubled. There is evident desire in the Chilean press to belittle the part which military preparations in Japan and Europe play in speeding up the export of nitrates and copper, for cargoes of those war commodities are commonly shipped without definite destination. Ship masters get their orders after they are on the high seas.

Chilean internal finances reveal decided improvement. The 1934 balance sheet showed a balance of 68,000,000 pesos (about $3,000,000). Unemployment is virtually ended.

A CHACO TRUCE

On June 9 the Chaco dispute seemed to be within sight of settlement, for early on that morning a twelve-day truce was agreed to. In the previous weeks the military odds had favored Bolivia. Slowly but surely Paraguay was driven from control on the Parapiti River, pushed back from Villa Montes and Santa Cruz, and Paraguayan chances of dealing a blow at the oil fields were reduced. Bolivia thus expelled the enemy from Bolivia proper, and Paraguay fought with her back to the jungle. The military situation at the end of May seemed an ideal stalemate for the interests of peace. Paraguay was indeed in possession of the disputed territory, but Bolivia had gone far toward proving that Paraguay could not successfully carry the battle beyond the lowlands.

The peace-makers had made excellent preliminary progress during May. Argentina, Chile, Peru, Brazil and the United States agreed to act as arbi-



The shaded region represents territory captured by Paraguay up to the truce of June 9.

trators, and on May 9 representatives of the arbitrating powers met in Buenos Aires to organize. They invited Uruguay to join and Uruguay accepted. The conference then, on May 11, sent word to the two warring nations that the arbitrators were ready and suggested that each send its delegation to Buenos Aires for conference. By May 25 their delegations were sitting with the arbitrators in Buenos Aires. Finally, the Bolivian and Paraguayan Foreign Ministers agreed to the truce mentioned above, subject to its ratification by their governments.

PRESIDENT LOPEZ OF COLOMBIA

President Alfonso Lopez of Colombia made substantial gains in the Congressional election on May 26. His party—the Liberals—won 105 of 118 seats in the lower house. Their control of the State Assemblies assures the election of a national Senate which will follow the President. The Opposition—the Conservative party—went on strike and urged its followers to boycott the election, charging whole-

sale intimidation by the Liberals. Whatever the facts may be, President Lopez and the Liberals are firmly in control.

In the campaign, ratification of the treaty with Peru, disposing of the Leticia controversy, was the chief bone of contention. When, in January, the Congress, heavily dominated by the Conservatives, threatened to withhold ratification of the protocol, Lopez abruptly dissolved that body and successfully made his appeal to the country.

President Lopez and the Liberals incline toward a mildly benevolent social policy. His labor code provides all workers with sick leaves, annual vacations and indemnity for discharge. His taxation policy bears down upon those whose incomes fall in the higher brackets, but the Colombian Supreme Court gave evidence, in a decision handed down on April 12, of an inclination to go in the opposite direction.

Economically Colombia appears to be on the mend. President Lopez is pushing reciprocal trade agreements with Japan and the United States. In the case of Japan, there is a tendency to demand that the Japanese buy as much as they sell. Colombia has a sufficient diversity of production to make her trading position strong, for she can talk in terms of platinum, petroleum, coffee, rubber, tobacco and sugar.

In the case of the United States, Colombia's position is complicated by her default on the outstanding direct and guaranteed dollar debt. Colombia stopped paying dollars on this debt in June, 1933, under pressure of the extraordinary expenses growing out of the Leticia dispute, and issued scrip payments, thereby exciting some acrimonious discussion in American financial centres. It is argued with some heat that Colombia shows a substantial balance of trade, amounting to over 6,000,000 pesos in 1934, and that her gold mines produced $12,000,000 worth of gold last year. The Colombian Government seems not to have replied to this criticism.

In any international conversations between Washington and Bogota, Washington holds a strong hand for bargaining. The United States consumes 83 per cent of Colombian coffee, and coffee is a dangerous commodity with which to be caught. There is too much of it north and south of the Equator.

LABOR UNREST IN MEXICO

Strikes and economic recovery have appeared together in Mexico. There is virtually no unemployment. The action of Washington in lifting the price of silver has benefited Mexico, while the tidal wave of tourists has brought a species of prosperity to the capital and to the few cities and towns where tourists go. At the same time during April and May strikes of bitter seriousness broke out among the street car men, the paper makers and the telephone workers.

The Mexican labor situation is confused. Since the decline of the CROM (the Mexican Federation of Labor) from its high estate, labor has been torn between a great variety of organizations and various degrees of radicalism. The Mexican Constitution offers many weapons with which labor can win its just demands; these same facilities offer ways and means whereby labor obstructionists and racketeers can operate to their own profit and to the vast annoyance of honest business.

NATIONALISM IN PANAMA

Two laws recently adopted by the National Assembly of Panama have

struck fear into the hearts of alien business men. The first of these laws provides for the nationalization of retail business and limits foreign retailers to one shop for each 100 co-nationals resident in the Republic. The three larger cities are exempted from the application of this law. It will strike hard the host of Chinese and other shopkeepers in the smaller towns and villages.

The second law is designed to increase employment of Panama nationals and requires the employment of 75 per cent Panamanians in any concern. This law is being vigorously fought by the army of East Indian shopkeepers who have for years reaped a harvest from tourists.

CUBA PLANS ELECTIONS

Elections are a sore point in Cuba. They have been much talked about since that delirious Aug. 12, 1933, when President Machado escaped to British soil, but none has been held. The Mendieta government, which has postponed them from month to month, announced early in May that the government proposed elections for next December. The four right-wing parties, including the Liberals of ex-President Machado, agreed to participate. The revolutionary parties—the ABC, the Autenticos of Grau San Martin and Young Cuba were conspicuously silent. Their leaders had, for the most part, fled the country.

The discussion brought out the inevitable protest against participation by the associates of Machado, and it was made clear that none who shared his crimes and conspiracies would be permitted to take part in the coming election. The provision of adequate election machinery was also a live issue. There has been no Congress since Machado fled. There has been no Constitution. The Mendieta government will therefore be forced to resurrect an old Constitution, probably that of 1901, and to build up an electoral code out of the plans drafted by General Crowder and others. The administration announced in May that by June the state of war would be lifted, and that the election campaign could begin in earnest. This appeared to close observers a bit optimistic.

In the meantime, Dr. Antonio Guiteras, the most dangerous foe of the Mendieta-Batista régime, has been eliminated. The most brilliant and feared member of the Grau Cabinet, he was responsible for the radical social legislation launched during that stormy period. Only twenty-nine at the time, he rallied around him a group of the most devoted and honest of Cuban youth. After the expulsion of Grau from the Presidency Guiteras broke with his former chief and organized a party of his own, Young Cuba. He was credited with complicity in the kidnapping of Eutimio Falla Bonet, member of a prominent Machadista family, for whose release a ransom of $300,000 was paid. A detachment of the army cornered and shot Guiteras near Matanzas on May 8, just as he was preparing to escape to the United States. The government also captured twelve of his fellow-conspirators, including two women, and all are threatened with the firing squad.

PAN-AMERICAN COMMERCIAL CONFERENCE

The Pan-American Commercial Conference, projected at the seventh Pan-American Conference in Montevideo in December, 1933, convened in Buenos Aires on May 26, with all twenty-one republics represented. The sessions were formally launched by President Justo of Argentina and President Vargas of Brazil. The most significant note was the inaugural address of

Foreign Minister Carlos Saavedra Lamas of Argentina, more than a third of which was devoted to a eulogy of President Roosevelt, Secretary Cordell Hull and the "good-neighbor" policy of the United States. Coming as this did from the accredited spokesman for Argentina, it represented a radical change of front.

The agenda for the conference carefully barred discussion of tariff issues and limited the conversations to the mechanisms of trade. Considerable skepticism was expressed of any solid achievement, though there were obvious hopes that the conference would overcome minor obstacles to inter-American commerce.

TRADE WITH SOUTH AMERICA

Exporters in the United States have found the 1934 trade records exciting and hopeful, for South America is again buying our wares. The ten republics of South America imported goods worth $576,000,000 in 1933, and $705,000,000 in 1934—an increase of 22½ per cent. The increase in imports from the United States was 41 2-3 per cent. After five years of losing ground this brings cheer to our exporters. The United States now takes first place in imports to South America, with 23 per cent of the total credited to her; Great Britain is in second place, with 18½ per cent.

The explanations of our improved trading position are various. South American business has markedly improved and purchasing power increased, with a consequent demand for foreign goods. The depreciation of the American dollar helped, while the increase in American purchases of South American raw materials served to create dollar exchange.

Exit MacDonald; Enter Baldwin

By RALPH THOMPSON

PROPHETS are not always wrong, and those who had for months been predicting that somehow or other Ramsay MacDonald would be pried out of the British Prime Ministership found on June 7 that their forecast had come true. As soon as Parliament adjourned for the Whitsuntide recess, Mr. MacDonald, pleading ill health, went to the King with his resignation and that of his Cabinet. King George could hardly have been surprised, but with all due formality he called upon Stanley Baldwin to reconstruct the government.

Mr. Baldwin hastened to comply and that same day announced his choice of Ministers, which for the most part left the portfolios unchanged or merely reshuffled them. Lord Sankey, Sir John Gilmour and Sir Edward Hilton Young were dropped; Lord Zetland, Malcolm MacDonald (son of Ramsay MacDonald), Lord Eustace Percy, Ernest Brown and Anthony Eden (for whom a new post was created) were newcomers. The Postmaster General, George C. Tryon, is not a member of the Cabinet. The appearance of a coalition was maintained, with National Labor represented by three Ministers, the National Liberals by four. But in accordance with the huge Conservative majority in Parliament, fifteen Cabinet posts went to Conservatives.

Before this shake-up occurred, Par-

The New British Cabinet

STANLEY BALDWIN	Prime Minister and First Lord of the Treasury
RAMSAY MACDONALD	Lord President of the Council
SIR SAMUEL HOARE	Foreign Secretary
LORD LONDONDERRY	Lord Privy Seal; Leader of the House of Lords
LORD HALIFAX	Secretary for War
J. H. THOMAS	Secretary for the Dominions
NEVILLE CHAMBERLAIN	Chancellor of the Exchequer
LORD HAILSHAM	Lord High Chancellor
SIR JOHN SIMON	Home Secretary; Deputy Leader, House of Commons
SIR PHILIP CUNLIFFE-LISTER	Secretary for Air
LORD ZETLAND	Secretary for India
SIR GODFREY COLLINS	Secretary for Scotland
MALCOLM MACDONALD	Secretary for the Colonies
WALTER RUNCIMAN	President of the Board of Trade
SIR BOLTON EYRES-MONSELL	First Lord of the Admiralty
ANTHONY EDEN	Minister for League of Nations Affairs
LORD EUSTACE PERCY	Minister Without Portfolio
WALTER ELLIOTT	Minister of Agriculture
OLIVER STANLEY	President of the Board of Education
SIR KINGSLEY WOOD	Minister of Health
ERNEST BROWN	Minister of Labor
W. G. ORMSBY-GORE	First Commissioner of Works

liament had carried on its business amid the distractions of the continuing Jubilee celebrations. There were so-called surprise visits of the King and Queen to even the poorest sections of London, royal addresses on a variety of occasions, a magnificent ceremony in Westminster Hall with Lords and Commons alike in attendance. Surely, few more astounding evidences of national enthusiasm have even been given. So moved was the staid London *Times* that it declared editorially that one epoch had ended and another had begun, that "pre-Jubilee" would henceforth be used to refer to the days and years before May 6, 1935.

The chief monument to Parliament's diligence was the passage by the Commons on June 5, after more than three months of intermittent debate, of the Government of India Bill. All the main features of the measure as introduced managed to survive despite the assaults of Laborites and die-hard Conservatives. Modifications and improvements in detail included the reservation for women of at least six seats in the Council of State, a stronger assurance for retired government employes that their pensions would be paid, and a specific explanation of the franchise base in the Indian Provinces, which originally was to be determined by an Order in Council. The House of Lords, it was expected, would dispose of the bill without delay, and by August it should become law.

Of domestic measures, perhaps the most important was the Housing Bill (see March CURRENT HISTORY, page 735), which passed the Commons on May 29. When the provisions of this bill are in full operation, it is hoped

that the worst aspects of overcrowding in the urban centres will disappear. The new measure, together with slum clearance acts already on the statute book, appears to do as much as legislation can to establish a far-seeing and enlightened national housing policy. Of allied interest is the Restriction of Ribbon Development Bill, introduced into the House of Lords on May 7. In this measure the government asks among other things that the 43,000 miles of so-called classified roads shall be so controlled that except by permission of local highway authorities no new building may be erected within 220 feet of either side of the centre of the road nor no new side roads constructed. The aim in view, of course, is to prevent expensive new highways from becoming built-up streets and to preserve the natural beauty of the countryside.

BRITISH ARMS INQUIRY

The royal commission appointed to sit in judgment upon the privately owned arms industry of Great Britain held its first public sessions in May. At the opening meeting Viscount Cecil of Chelwood, representing the League of Nations Union, advocated government control of armaments. At the second meeting a delegate from the National Peace Council told the commission that Sir John Gilmour, Home Secretary, and Sir Philip Cunliffe-Lister, Colonial Secretary, were both stockholders in the great British firm of Vickers, and that proprietors of certain newspapers which had pressed for an increased British air force were stockholders in local aviation companies. At the third meeting a spokesman of the Communist Party of Great Britain charged that Neville Chamberlain, Chancellor of the Exchequer; Prince Arthur of Connaught, cousin of King George, and the Bishop of St. Andrews were stockholders in armament firms. He stated also, much to the consternation of those present, that Sir John Eldon Bankes, chairman of the investigating commission itself, owned hundreds of shares in Imperial Chemical Industries, Ltd.

IN THE IRISH FREE STATE

The Irish Free State Government, and the citizens of Dublin as well, were greatly relieved when the eleven-week transport strike in the capital came to an end on May 17. Those directly involved were no doubt also relieved, for almost constant negotiations had worn out both employers and employes. When the Ministry of Industry and Commerce finally proposed a settlement embodying wage increases ranging from about 50 cents to $5 a week, the trolley and omnibus workers accepted by a vote of 2,112 to 605. The new agreement is terminable upon three months' notice by either party, but not until at least eighteen months have elapsed. Hence Dubliners are confident that for the next two years or so they will be spared uncomfortable hiking through the city streets.

With this problem settled, President de Valera could turn to others of perhaps more vital nature. Members of the Irish Republican Army recently rounded up for membership in an "illegal association" had been brought before the military tribunal in batches and speedily sentenced to varying terms in jail. Something of a setback for the government was experienced on May 27 when General Eoin O'Duffy, former Blue Shirt leader, received an award of nearly $1,000 as damages and costs for arrest and false imprisonment in 1933. But on the whole, Mr. de Valera has emerged victorious over those elements in the country that are opposed to him and to the

Fianna Fail method of doing things.

The fourth Fianna Fail budget, introduced in the Dail on May 15 by Sean MacEntee, Minister of Finance, gave the Opposition grounds for further grumbling. A "rich man's budget" they called it, pointing with dismay to increased taxes on tea, sugar, tobacco, foreign wheat and inexpensive cinema tickets. But, Mr. MacEntee pointed out, larger expenditures for social services and in the form of bounties and subsidies to resist the shock of the economic war with Great Britain made greater revenue essential.

AUSTRALIAN STATE AFFAIRS

Western Australia's drive for independence (see June CURRENT HISTORY, page 309) was all but halted on May 24 when the Joint Select Committee of the Imperial Parliament announced that the question of secession from the Australian Commonwealth was not one to be settled by the British Government. If an Australian State wished to secede, said the committee in effect, it will have to obtain permission from Canberra, for London no longer has the power to interfere in the affairs of any Dominion unless asked to do so by the Dominion. Since an appeal to the Commonwealth Parliament had already been turned down, Western Australians found little consolation in this decision, even though the Joint Committee's statement was clearly concerned only with the constitutional aspects of the appeal, not with the justice of the grievances.

Parliamentary elections recently held in three Australian States produced no startling overturns, although in one case post-election political manipulations brought about the downfall of a Ministry. The polling in Victoria on March 2 gave the Labor Opposition only one of the seventeen seats lost at the previous election and left in office the United Australia-Country coalition headed by Sir Stanley Argyle. But a few weeks later the Country party decided to withdraw its support, and on March 28 the government was forced to resign. On April 2 A. A. Dunstan, Country leader, formed a Cabinet of his own, leaving the United Australia party out in the cold and bringing in as Minister for Agriculture E. J. Hogan, former Labor Premier.

Elections in Queensland and New South Wales were held on May 11. In the former State the moderate Labor government of Premier Forgan Smith won an unmistakable vote of confidence, raising its representation in the House of Assembly from 33 to 45. In New South Wales, Premier Stevens's United Australia government, supported by the Country party, was confirmed in power with a slightly decreased majority. Former Premier J. T. Lang, leader of the State Labor party, tried in vain to regain the strength he lost in 1932.

SOUTH AFRICA'S JUBILEE

South Africa on May 31 celebrated the twenty-fifth anniversary of its birth as a united nation. Nearly 2,000,000 persons of European stock now live in the Union, which the modern motor ship has brought within sixteen days of England. In many ways their problems have become the most interesting of those arising within the Dominions of the British Crown. Certainly, South Africa's progress has been accomplished in the face of tremendous racial obstacles—black vs. white, Boer vs. Briton—and quite as certainly even greater progress is yet to be achieved. Particular aspects of immediate problems are discussed on pages 372-380 of this magazine. As the London *Times* ob-

served in a thirty-page South Africa Number published on the day of celebration, the formation of the Union twenty-five years ago was a notable step—"the mistakes made under the Union are small compared to the great mistake which would have been made if the Union had been rejected."

TRAGEDY IN INDIA

While the larger questions of Indian government were being debated in London by the British Parliament, India itself underwent a series of tragedies both man-made and natural. An appalling loss of life, estimated at well over 50,000, occurred on May 31 when the district about Quetta, Baluchistan, was struck by a heavy earthquake. Several hundred miles to the northeast, at places within the perennially troubled Northwest Frontier region, armed bands of Indian border tribesmen continued their intermittent warfare against rival natives or British Indian authorities. Early in May Colonel C. E. T. Erskine, inspecting officer of the Frontier Corps, took charge of the Malakand Political Agency in an attempt to end the agitation of the most persistent of the troublemakers, the Fakir of Alingar. But British force and diplomacy combined have not yet solved the problem.

Within the more civilized parts of India a series of bloody encounters have recently upset the peace. Terrorist crime in Bengal suffered a checkmate on May 1 when, after a trial lasting nearly two years, a special tribunal sitting at Calcutta convicted thirty-one Hindus of conspiring to war against the King. Only quick action on the part of Punjab police, it is said, prevented terrorist outrages in Lahore on Jubilee Day (May 6). The fatal encounter of British troops and a Moslem mob at Karachi on March 19, when nearly fifty persons were killed, was followed on April 14 by a Hindu-Moslem riot at Firozabad, United Provinces, which resulted in fourteen deaths. On June 5 police and Moslems clashed in Calcutta, with the result that more than forty persons were wounded by gunshot and bricks.

The Battle of the Franc

By FRANCIS BROWN

FRANCE at the beginning of June was once more in the midst of an acute political and financial crisis in which the question of devaluing the franc was a highly important factor. This new crisis was but a further phase of the economic depression which has been growing steadily more severe. The fall of governments is no novelty to Frenchmen—nor are the consequences necessarily serious—and financial difficulties in the past have also been surmounted. But when this latest French crisis was considered in the light of the past two years' events, it appeared to be much more serious than usual.

The world depression hit France later than other countries, but that did not mitigate its effect. Business decline and diminishing profits have caused failures and increased unemployment, even as elsewhere, and there has been great distress among

French farmers. Out of this situation has come the social unrest which has periodically bubbled to the surface. The riots of February, 1934, gave striking evidence of the popular temper and there have been other though less serious outbreaks in the past year.

At the same time the French political system has come in for a good deal of criticism based largely on the weakness of the executive branch. While the supremacy of the Chamber of Deputies has undoubtedly made for political instability and has prevented the enactment of necessary legislation, the demand for constitutional reform has come from those so closely identified with big business and financial interests that most liberals have opposed the idea. Perhaps it is inevitable that any attempt today to strengthen the hands of the executive at the expense of the legislative branch of a government would be called a move toward fascism. Certainly the Left of the French Chamber sees a Fascist gesture in every move to enlarge the Ministry's authority.

One result of the Cabinet's limited powers has been its inability to balance the national budget. While there are other factors involved, the Chamber's steady resistance to reduction in certain public expenditures has led to a piling up of deficits which since 1930 have reached a total of 27,617,000,000 francs or about $1,891,764,500. Each new government has promised to balance the budget; each has failed. For the present fiscal year the deficit is estimated at about 6,000,000,000 francs, not including something like 5,000,000,000 francs for extraordinary expenditures. It was the public fear engendered by this staggering deficit which led to the flight of capital during May.

Political considerations necessarily complicated the budget troubles. Hard times have brought about a fall in revenue. Yet the government has been expanding its expenditures for national defense and the Chamber has refused to approve cuts in civil service salaries, pensions and so on. Conversion of the public debt would aid the budget situation, but so widely are French rentes held among the people that conversion would have disastrous political consequences. Higher taxes seem neither wise nor feasible. About the only remedy the government could suggest was to clothe it with dictatorial power for the purpose of slashing expenses by decree.

Such was the general situation when on May 5 and 12 elections were held in the 38,000 communes of France. While these municipal elections are waged on local issues, national questions are not wholly excluded and the results must be taken as showing the trend of public opinion. From this standpoint these elections were most important for gains were registered by the liberals and radicals. Particularly significant was the success of the Socialist-Communist common front whose campaign was waged with the slogan, "Down With Fascism." While these parties remained a small minority, their success appeared to indicate that the public was tired of conservatism and was not supporting Premier Flandin's attempts to build a strong Centre party in the Chamber of Deputies.

Even before the elections were completed, rumors were spreading that a financial crisis was at hand. These renewed the agitation for and against devaluation of the franc. Men like Paul Reynaud, a former Finance Minister, contended that only devaluation

could answer the economic problems posed by the depression. The government, on the other hand, reiterated its determination to defend the franc at all costs and to balance the budget, even if that should require seeking from Parliament a grant of extraordinary powers. Business associations approved this stand and efforts were made to rally public opinion behind the Flandin Ministry.

No matter what was said by Cabinet Ministers, it was impossible to conceal the serious state of the French economy. Bankruptcies were breaking all records; the tourist and export trades were at a low point; unemployment showed only seasonal improvement. The international financial situation added to these worries, for the gold bloc has been very shaky since Belgium devalued the belga in March. Finally, the actual condition of the French budget was not revealed, giving rise to fears that the admittedly large deficit might in reality be still greater.

Thus it was that early in May a flight of capital began. Some of the financial disturbance was undoubtedly due to speculators—that was the word given out by the government—but much of the outward flow of gold could be attributed to nothing except a breakdown in national confidence. By May 17, when the Bank of France was known to be shipping gold to the United States, England and Belgium, the Bourse began to show signs of panic. Price for equities boomed and government bonds fell.

The situation now became acute. At a conference on May 22 between Premier Flandin, Finance Minister Louis Germain-Martin and Jean Tannery, the Governor of the Bank of France, it was agreed that when Parliament reassembled on May 28 it should be asked to grant the Cabinet a free hand. In other words, the Cabinet would seek full powers to do whatever it thought necessary to meet the spreading crisis. It was also understood that Parliament would be prorogued until Autumn. Such a request obviously risked the answer of an overthrow of the Cabinet.

The next day the Bank of France adopted the orthodox measure for protecting the franc by advancing the discount rate from 2½ to 3 per cent. This action coincided with the announcement that the bank had lost 521,000,000 francs in gold during the week ended May 17, compared with a loss of 343,000,000 francs in the week before. Unfortunately, raising the discount rate only tended to confirm the worst fears of Frenchmen, and the flight of capital increased in volume and rapidity. On May 25 the rate was raised to 4 per cent, and then on May 28 to 6 per cent. Hoarding as well as the export of capital had by this latter date put the daily loss to the Bank of France at 1,000,000,000 francs. The bank, nevertheless, believed that if the attack could be beaten off the franc would be in no danger, since the gold coverage remained close to 80 per cent.

Parliament convened on May 28 in an atmosphere of great excitement. Hostility to the government quickly became apparent, and when the Finance Minister explained to the Chamber the government's demand for special powers he received a cold reception. The following day the Finance Committee rejected the Cabinet's request by a vote of 25 to 15, and the position of the Flandin Ministry was seen to be precarious. But it made one more stand.

Premier Flandin, who, early in May, broke his arm in an automobile accident, came before the Chamber on May 30 to appeal for confidence and

support. Under great strain, and with his broken arm resting in a specially prepared cradle, he spoke for more than an hour. When it was all over he fainted in a corridor outside the hall. In the course of his speech M. Flandin announced that his Finance Minister had resigned, an admission which did nothing to strengthen the government's position, since M. Germain-Martin had been attacked in the Chamber for incompetence. The Premier's dramatic appearance before the Deputies and his eloquent appeal could not save his government, which fell in the early hours of May 31 after a crushing vote of no confidence of 353 to 202.

The Flandin Ministry had lost popularity steadily since it came to power in November, 1934. Though in the beginning the Premier had promised a government of action, he had accomplished little. Resentment grew, and when the Bank of France raised its discount rate the enemies of the Cabinet pointed out that the much-talked-of easy-money policies advocated by M. Flandin had been overturned. That left the Cabinet little to stand upon.

There is, moreover, no doubt that many Deputies sincerely believed that a grant of full powers would be the first move along the road to fascism. They could not accept that, even if it meant a Cabinet crisis. Nor were they any more willing to accept it when Fernand Bouisson formed a new government late on May 31 and came before the Chamber with a request for the right to govern by decree. That request sufficed to upset the Bouisson Ministry on June 4 and to leave France again without a government.

The Bouisson Cabinet at first promised to be a strong one. Though the Premier was no great statesman, he had for ten years been President of the Chamber and as a non-partisan seemed to be just the sort of man to ride the storm. With him were Pierre Laval as Foreign Minister and Joseph Caillaux as Minister of Finance. Caillaux has a reputation for knowing more about finance than any one else in France, and his position in the Radical Socialist party helped to strengthen a government whose complexion was far more Left than Right.

The speedy formation of the Bouisson government restored confidence in Paris. While actually nothing had happened, men felt more secure. The "battle of the franc," it was said, had been won. But this respite was indeed short. As soon as the Bouisson Ministry tumbled, the flight of capital was on again. When the weekly statement of the Bank of France was published on June 6, it was shown that the bank's gold holdings had fallen 10,855,000,000 francs in nine weeks and that the gold coverage had dropped to 73.35 per cent.

At the moment, however, the future looked more hopeful, since on June 7 Pierre Laval announced that he had succeeded in forming a government. Retaining for himself the portfolio of Foreign Affairs, he gave the Finance Ministry to Marcel Régnier, who was Minister of Interior in the Flandin Cabinet. The other members of the Ministry had been present in most recent governments, and actually there was little more than a shuffling of portfolios. M. Flandin in this instance joined company with Edouard Herriot and Louis Marin as a Minister of State.

M. Laval in the early hours of June 8 received a vote of confidence in the Chamber when his request for extraordinary powers was approved by 324 votes to 160. The Premier promised that cuts in expenditure would not be unjust and that he would consult with Parliamentary committees

during the recess of Parliament. At the same time that he denied any intention of abruptly dissolving the Chamber he limited his request for extraordinary powers to measures for defending the franc and curbing speculation.

Members of the French Parliament were unenthusiastic about the Laval government, the Ministerial declaration having been received in stony silence. The Left, particularly the Socialists, was definitely hostile and during the debate which followed M. Laval's appeal for support, spokesmen for the Left assailed the Bank of France, through which, it was declared, 200 families ruled France. This brought into the open the issue which underlay much of the political crisis—was the Bank of France to continue in its present position of power, able to dictate to the government and in a financial crisis to hold the whip-hand? That question will certainly animate French political life for a long while to come.

After approving the Laval Cabinet Parliament recessed until June 18. In the meantime the government pushed ahead with its plans for halting the flight of capital and for placing government finances in order.

THE NORMANDIE

In the midst of all these troubles the French people had one pleasant distraction—the triumphal first voyage of the great 79,000-ton Normandie. When this largest ship afloat arrived in New York on June 3, she carried the blue pennant of speed supremacy on her main truck, for the huge liner crossed the Atlantic in 4 days 11 hours 42 minutes. The average speed of 29.64 knots for 3,192 miles exceeded that of the Rex, whose best average is 28.92 knots for 3,181 miles.

BELGIAN AFFAIRS

Belgium's loudly heralded recovery program has been slow in getting under way. While much may have been happening behind the scenes, there has been little on public display to indicate that after two months in office the Van Zeeland Ministry has accomplished much.

A general conversion of government bonds involving a total sum of 25,000,000,000 francs was carried out in May. All bonds bearing above 4 per cent interest were called for conversion to 4 per cent, and to make the operation more attractive holders were offered 10,500 francs in new bonds for every 10,000 francs in old. The Minister of Finance announced on May 17 that bonds valued at 24,910,000,000 francs had been presented for conversion. This operation will save the Treasury approximately 620,000,000 francs in 1935 and 1936.

Belgian business since the advent of the Van Zeeland government has shown some improvement. Devaluation of the belga stimulated the textile and leather industries. Tax returns increased during April, and the government, in order to relieve industry, decreed a tax reduction which will lower the Treasury's income by something like 250,000,000 francs. Since employment has been rising, the relief drain on public funds is not so great as a few months ago, although the government's deficit is still expected to reach 600,000,000 francs.

The coal industry began to revive as soon as devaluation lessened foreign competition, but labor troubles quickly appeared in the form of strikes against "famine wages." On May 23 it was estimated that 15,000 of the 36,000 miners in the Charleroi district were out. The strike was ended on May 27 when the miners agreed to accept a 2½ per cent pay increase.

Germany Builds Her New Army

By SIDNEY B. FAY

GERMANY'S new army law, as decreed on May 21, provides for one year's active training of all able-bodied non-Jewish Germans between the ages of 18 and 45, with active military service beginning generally at 20. The class of 1914 (those born in 1914) will be drafted into the army for its one-year active training on Nov. 11, 1935. During this year of active service the soldier will be nothing but a soldier, owing loyalty only to the military forces and their commanders and to no other organization, not even to the National Socialist party. The trained soldier then passes into the Reserve until he is 35; from 36 to 45 he is a member of the Landwehr. During all this time the army authorities retain some supervision over the ex-service men and in case of war could call them back to the fighting forces. So far the new system is not unlike that which existed before 1914, but there are certain important differences. From 1813 to 1892 the period of active training for conscripts was three years, and from 1892 to 1919 two years. The present shorter term of one year, however, follows compulsory service in the labor camps.

Entrance to industrial employment, government service or the universities is practically conditional upon showing a certificate of work in a labor camp. The Nazis emphasize several desirable features of these camps: They permit men of all classes to rub elbows on an absolutely equal footing and so tend to strengthen the solidarity of the whole German people; they provide physical training by their outdoor work in road-making, swamp draining, forest clearing, and so forth. Moreover, lectures and study periods inculcate among the members of the corps the National Socialist view of life. But the labor camps will also afford opportunity for some preliminary military training in the way of marching, discipline and obedient, co-operative action. The period of service in the labor camps has heretofore usually been six months; for the immediate present it will remain six months, owing to limited facilities, but it is planned to extend it to a full year. The class of 1915 will accordingly be drafted for its labor service on Nov. 1, 1935, and will pass into the army for its year of active military service in 1936.

Social equality and the same treatment for everybody will further distinguish the new from the pre-war army. In the old army there were certain privileges for men of education and wealth, such as serving only one year. Still another difference is the exclusion of Jews from the new army. Exceptions may be made by the Minister of Interior in conjunction with the Minister of War, but in no case may a non-Aryan be an officer, and the marriage of soldiers or officers with non-Aryans is specifically forbidden. In time of war, however, Jews may be required to serve.

According to other general regulations, the trained soldier who has passed into the Reserve or the Land-

wehr is subject to the supervision of the Minister of War and to such regulations as he may make. This presumably means a possible brief period of exercises, perhaps two or three weeks, during the period in the Reserve. Trained soldiers who have passed their forty-fifth year form the Landsturm. Men who for one reason or another have been excused from their one year of active training form the Ersatzreserve; they may be used by the Minister of War for replacing soldiers liable for service.

It is difficult to see where this elaborate organization leaves room for the Storm Troops or other semi-military organizations that, until recently, have played an important rôle in Germany. The new army has swallowed them all and brought about a new military coordination in the totalitarian State.

Under Hitler, as the supreme commander-in-chief of the army, is the Minister of War, General von Blomberg, who exercises the high command. His title is now changed to War Minister in accordance with usage in other States. Under General von Blomberg's centralized authority General Werner von Fritsch commands the army, Admiral Erich Kaeder the navy and General Goering the Military Air Corps, although the last-named remains Air Minister with independent control of civil aviation.

The first completed section of the system of great motor highways that are to bind Germany together and that constitute the kernel of the government's labor-creation program was opened on May 19 in the presence of Reichsfuehrer Hitler. It runs fourteen miles from Frankfurt to Darmstadt and constitutes part of the projected Hamburg-Frankfurt-Basle highway. It is planned to complete 200 of the projected 4,000 miles in various parts of Germany this year. The program calls for six years of work, in which 120,000 men will be directly employed, involving an expenditure of $750,000,000.

RACIAL AND RELIGIOUS TROUBLES

A new wave of anti-Semitic violence swept over Munich in the third week of May. The walls of the chief synagogue were chalked with swastikas and the windows of several Jewish stores were broken. Several Jewish doctors had their name-plates torn from their house fronts. An anti-Jewish boycott by Nazi pickets caused much disorder and some fighting when Munich citizens attempted to end it.

Dr. Julius Streicher, the notorious anti-Semitic leader, received a virtual rebuke, however, from the Nazi official press. At a conference at Nuremberg, largely attended by "nature healers," he had declared that the day of medicine in the sense in which Dr. Robert Koch, the discoverer of the tuberculosis bacillus, understood it was a thing of the past. He referred to Koch and his pre-war colleagues in German medical faculties as disciples of "Jewish healing" because they employed Jewish assistants in the laboratories. But the *Voelkischer Beobachter* of May 26 printed a long eulogy of Koch as "a friend of humanity," while Dr. Frick, the Minister of Interior, announced that the government would this year re-establish the Koch Endowment for Tubercular Research, which was destroyed by the inflation.

More than a score of Protestant pastors were still in concentration camps during May because of their refusal to sign a statement confessing that their imprisonment resulted from illegal activities and to promise not to read publicly further protests against the rule of Reich Bishop Mueller.

Early in the month Dr. Frick was said to have finally received permission from Chancellor Hitler to halt the wholesale arrests of Protestant opposition pastors.

Pope Pius XI, addressing a delegation of German pilgrims on May 6, protested against the brutal treatment alleged to have been meted out by Nazis to another delegation of German pilgrims as they returned to Germany after spending Easter in Rome. His remarks may have contributed to an anti-Catholic outbreak in Munich by Nazi ruffians a few days later and also to the severe sentences imposed on several German nuns for smuggling funds out of Germany in contravention of the Reich laws against taking or sending money out of the country.

IMPROVEMENT IN AUSTRIA

Business conditions in Austria improved steadily during the first quarter of 1935. Raw material imports increased and several industrial plants that had been closed resumed operations. Among other favorable factors were a reduction in foreign indebtedness and an increase in savings deposits. On May 10 the League of Nations Financial Committee authorized the Austrian Government to increase its domestic loan from 100,000,000 to 175,000,000 schillings (the schilling was quoted at 18.83 cents). Of this sum 60,000,000 schillings will be used for public works and the remainder as a conversion fund to consolidate treasury bills.

The recent Austrian census showed a population of 6,762,687—an increase of 227,324 since the last census of 1923. The birth rate in Vienna and the larger cities has shown a decrease in recent years, but the fecundity of the rural districts more than made up for the losses in the urban centres. Though the population in Vienna has fallen to 1,860,000 from the pre-war figure of 2,0000,000, the city still ranks as the fifth largest in Europe, being surpassed only by London, Paris, Berlin and Moscow.

Prince Ernst von Starhemberg, Austrian Vice Chancellor and head of the Heimwehr, or home defense organization, announced at Salzburg on May 26 that all private armies would be drastically reduced by a new rule eliminating from them all persons who had joined since Feb. 1, 1934. His own Heimwehr is the only volunteer armed organization that had a large membership before that date.

Strict enforcement of the new order would mean virtual elimination of Chancellor Kurt Schuschnigg's Catholic Storm Troops, which recruited most of their members during and after the civil war of February, 1934, and of the Catholic Workers Freiheitsbund, which grew rapidly after the putsch in the following July. The Prince stated also that new members of the volunteer armies who had distinguished themselves in fighting for the government might be retained, thus opening the way for a possible compromise. Some observers believed that Starhemberg's purpose was to make himself dictator through the unrivaled power he would enjoy as the head of the Heimwehr, but speaking at a huge rally in Vienna on June 2 he took pains to declare: "We pledge our steadfast loyalty to Chancellor Schuschnigg. He can rely on our loyal obedience."

The outstanding success of German nationalists, led by Conrad Henlein, in the Czechoslovak elections caused deep concern in Austrian Government circles and excited the Hitlerites. German nationalism appears to be growing stronger in Austria. Many Socialists are said to be passing over to the

Nazi camp, while villagers, clericals, laborers and even State-organized workers are chafing restlessly against the Fascist Heimwehr, which is closely associated with Italy. This shift of sentiment makes it perilous for the government to risk the plebiscite which the Nazis want, for the Nazis might indeed show that they and not the Schuschnigg government have the support of the majority of Austrians.

A SWISS REFERENDUM

The Swiss people on June 2 decisively rejected by a vote of 566,242 to 424,878 a "crisis initiative" which was intended to meet the depression with governmental borrowing, spending and centralization. The proposed measure, prepared by Socialist, labor and agricultural groups, sought to amend the Swiss Constitution so that the government might assure work to the unemployed, increase agricultural prices, maintain salary levels and control trusts and the movement of capital. It would have involved a devaluation of the Swiss franc and the abolition of the present gold standard. In anticipation of the vote there had been much speculation in the franc.

Since the referendum involved the amending of the Constitution, adoption was also required by a majority of the twenty-two Cantons. Only four favored it—Berne, Basle, Soleure and Schaffhausen. The polling was exceptionally heavy, 83 per cent of the registered electorate voting. The vote showed how stanchly the Swiss are attached to gold and stable money and it also gave added courage to those in the gold bloc countries who are trying to prevent devaluation.

Switzerland and Germany agreed early in May to submit to arbitration their dispute growing out of the alleged Nazi kidnapping on Swiss soil of the German journalist, Berthold Jakob.

Spain Swings to the Right

By WILLIAM E. LINGELBACH

On May 6 the Spanish Cabinet of Premier Lerroux was reformed on a basis more nearly in accord with the party strength in the Cortes. Only three of the Ministers are of the Premier's own Radical party. Catholic Popular Action has five, two less than their leader, Gil Robles, had at first demanded. Gil Robles himself has the important post of Minister of War. Thus for the first time this young leader appears in the Cabinet. His presence, along with that of other strong representatives of the Right, plainly indicates a further swing in the direction of conservatism in Spain.

Education is under Señor Dualde of the Democratic party, while the troublesome post of the Minister of Agriculture is taken over by Señor Valios of the Agrarian group. On the whole, it is a well-balanced though conservative Ministry, and much more nearly in harmony with the representation in the Cortes than any government since the last elections. On the other hand, it is somewhat anomalous for a veteran Republican of Premier Lerroux's type to head a Ministry in

which he cannot command a majority.

According to the legislative program presented by the Prime Minister to the Cortes on May 8, and endorsed by a vote of confidence, the problems before the government which will receive its immediate attention relate to unemployment, national defense, agricultural reform, the press and municipal electoral laws. The municipal elections, which should have been held in May, are now scheduled for the Autumn. They will be of more than usual importance because they will test the strength of the Socialist Republicans, who captured most of the municipal positions four years ago. More difficult to handle will be questions of constitutional revision. Here the Right is determined to amend certain articles in the interest of the Catholic Church.

Spain's trade dispute with France, which resulted late in April in the denunciation of the commercial treaty made a year before, continued during May. In retaliation for the heavy duties levied on Spanish fruits and vegetables, the government on May 7 reduced the quota on French passenger automobiles to 10 per cent of the figure for the same period last year.

Indignation at the French attitude also in part underlies the demand for a strong foreign policy, which became very insistent in the sessions of the Cortes during the latter half of the month. In announcing the provisions for the appointment of a military commission, Señor Lerroux stated that his government would enact military measures to insure respect for Spanish national interests and that plans were being formulated to increase and modernize the military establishments. Nearly 200,000,000 pesetas will be allocated to aviation, 500,000,000 for the fortification of the Balearic Islands.

In opening the debate, Count Romanones, several times Prime Minister and Foreign Minister under the monarchy, made a vigorous attack on the weakness of the foreign policy of the Republic, pointing out that if Spain wished to remain neutral in wartime the army and navy would have to be strengthened. The mere wish to remain neutral, he said, was not sufficient.

Count Romanones also raised the embarrassing question of the international government of Tangiers, asking whether the Cartagena agreement signed by Great Britain, France and Spain in 1907, which guarantees the status quo in the Mediterranean, was still in force. As is well known, the Statute of Tangiers, agreed to in 1923 by Great Britain, France and Spain, and endorsed by Italy in 1928, made a very important change in the status quo. It set up an internationalized area and provided the basis for the government of Tangiers for twelve years. If revision was not demanded by any of the four powers before December, 1935, the arrangement would be automatically renewed for another twelve years. Since Spain has always looked upon the statute as unfair to her, Count Romanones demanded that it be denounced.

On May 16 the Tribunal of Constitutional Guarantees absolved the former dictator, General Berenguer, and several other high army officers, from criminal responsibilities for the execution in 1930 of two young officers who led the revolt of the Jaca garrison. The action of the court is in accord with the spirit of moderation which appeared when the government authorized the police authorities of Madrid, Seville, Huelva and other cities to permit the reopening of Socialist headquarters which had been closed since the October upris-

ing. On June 5, however, the tribunal sentenced Luis Companys, former President of the Catalan Generalitat, together with six former members of the Catalan Executive Council, to thirty years imprisonment each for complicity in the same rebellion.

ITALY UNDER ARMS

Into the routine of Italian life this Spring have been injected the hurry and drive of war-time activities. During May mobilization was again speeded up. Thousands of recruits from all parts of the country reported for service; company after company marched to the seaports to embark for Africa, while the newspapers bristled with war news and chauvinistic articles. At the same time, financial difficulties multiplied ominously.

Early in May details were published of the public works program projected by General de Bono, High Commissioner of Eritrea. It provides for the building of large reservoirs, aqueducts and modern roadways linking the agricultural areas of the interior with the lowlands and the sea. At Massowa, a town which Italian engineers claim will become the most important port of the Red Sea, a modern system of water supply with salt-water distillation and ice-making plants is to be installed, while extensive harbor improvements are to provide facilities for the landing of troops and the proper handling of large quantities of supplies needed by an expeditionary force. If some of these improvements had been started earlier much suffering from the intense torrid climate, the lack of an adequate water supply and fresh food, as well as the delay in the disembarkation of the army, could have been avoided.

The costs of the African venture are embarrassing the national credit, already strained to the breaking point. According to official statistics the costs of the expedition by the end of April approximated 620,000,000 lire (the lira is currently 8.22 cents). The budget for the next fiscal year, presented to the Chamber of Deputies on May 18, forecast a deficit of 1,657,000,000 lire, without including outlays for the African expedition, which are to be covered by an emergency budget. The statement also revealed a heavy increase in the national debt, which at the beginning of the present fiscal year stood at 128,000,000,000 lire, 32,000,000,000 lire over the figure of June 30, 1922. The Finance Minister pointed out that a portion of this debt had been incurred through expenditures for public works, railway construction and the like, all of which are of a permanent nature, and should therefore not be charged against the current account. As a partial effort to cover the deficit for the present fiscal year a new bond issue was announced in the *Official Gazette* on May 20.

Italy's trade balance is continuing to be increasingly unfavorable. Statistics for the first quarter published on May 19 show imports valued at 1,914,500,000 lire and exports at 1,161,500,000 lire, leaving an adverse balance of 753,000,000 lire. The figure for the same period in 1934 was 733,600,000 lire.

The international credit situation is far from encouraging. Heavy pressure on the gold reserves persisted during May. The private holdings of Italian citizens in foreign securities, commandeered some time ago in the campaign to support the lira, are being conscripted, the owners accepting their equivalent in lire at the current exchange rate. The foreign credit thus obtained is used to meet the adverse balance in the nation's foreign payments, but foreign holdings have not been large enough to afford more than

temporary relief. The drastic import restrictions of April and May, together with the new commercial treaties, mark the efforts to buttress Italy's international credit situation.

Professor Feliche Guarneri has been appointed superintendent of foreign exchange to control the distribution of foreign currency for foreign trade purposes and to coordinate the different governmental agencies concerned with exports and imports. He has had wide experience in Italian commercial methods and has been director general of the economic service of the syndicates of at least four industries. His powers are extensive, and since he is responsible only to Mussolini, he becomes a virtual dictator in his particular sphere, with powers to regulate and coordinate the whole foreign trade division.

Unhappily, prices continue to rise despite Mussolini's program inaugurated a little over a year ago to reduce the cost of living as a compensation for the 10 per cent cut in wages. Prices have risen from 15 to 20 per cent, particularly in foodstuffs, and the government is worried over possible discontent arising from high prices and rather stationary wages, rents and interest. Achille Starache, the national secretary of the Fascist party, has issued a number of stern warnings against all profiteering.

In May it was announced that a group of Venetian financiers, headed by Count Volpi, had purchased a controlling interest in the Navigazione Libera Triestana. Since Count Volpi and his friends already control the Adriatic Navigation Company as well as the Venetian Steam and Navigation Company, it looks like a further consolidation of shipping and colonial interest in the hands of men close to the government. Count Volpi was Mussolini's Finance Minister from 1925 to 1929.

The Passing of Pilsudski

By Frederic A. Ogg

After a lingering illness Marshal Josef Pilsudski, virtual dictator of Poland, died unexpectedly at the age of 67 at his residence, the Belvedere Palace in Warsaw, on May 12, the ninth anniversary of his coup in 1926, when he seized power after bloody street fighting in the capital.

The funeral ceremonies lasted a full week and were marked by most impressive pageantry. The body, after lying in state in the great Warsaw Cathedral, where it was viewed by an endless procession of war veterans, workmen's societies, Parliamentary groups, social organizations and people of every description, was transported 200 miles past continuous lines of villagers to be buried in Cracow. There on May 18 it was placed in the crypt of Wawel Cathedral among Polish Kings of other days and in an edifice filled with memories of Poland's earlier glory. Appropriately enough, Cracow was the city in which the wartime Polish independence movement, with which Pilsudski had so much to do, was originally launched.

Astute, courageous, patriotic, honest, but irascible and sometimes unstable, Pilsudski was unquestionably

one of the outstanding figures on the European political stage. From first to last his life was colorful. Of Lithuanian origin, he was born in Zulov, Wilno, in 1867. He studied at the gymnasium of Wilno and the medical school of the University of Kharkov, from which he was expelled for taking part in a conspiracy of revolutionary students. Returing home, he was sentenced to five years' penal servitude in Siberia for alleged complicity in a plot to murder Czar Alexander III. Thereafter he was a hardened conspirator and revolutionist, becoming one of the first ten leaders in Poland of the Polish Socialist party as well as founder and editor of a Socialist newspaper dedicated to the cause of Polish independence.

Pilsudski, imprisoned again in 1900, simulated insanity and got himself transferred to a military hospital in St. Petersburg, whence he escaped to Cracow, only to turn with increased fervor to revolutionary activities. Becoming convinced that "only the sword carries weight in the equilibrium of the destinies of nations," he set about organizing, although utterly devoid of military training or experience, a clandestine Polish Army composed of "gun clubs." In 1914 his sharpshooters, numbering hardly 10,000, were incorporated into the Austrian Army for use against the hated Russians. Falling gradually into disfavor with the Germans, he was arrested in July, 1917, and sent to the fortress of Magdeburg, where he remained until the war ended.

From prison Pilsudski stepped almost at once into the position of Chief of State and Commander-in-Chief of the restored Polish Republic. After a Constitution was framed and a parliamentary régime established which left only nominal power to the President, he retired ostensibly to private life, although as Chief of the General Staff and in other ways he kept his grip on the political situation until eventually in 1926 a bold coup, executed at a time of crisis, brought him complete control, first of the capital and presently of the country at large. Elected President once more, he refused to serve, and took instead the twin posts of Minister of War and Chairman of the Supreme Army Council. Yet he remained the actual power behind the scenes.

During the last five years, partly from choice and partly for reasons of health, Pilsudski lived in semi-seclusion, emerging from his retreat only about once a year for a military review on some national holiday. On these rare occasions he "stood before his people like some modern Genghis Khan—a strangely exotic figure despite the very European horizon-blue Marshal's uniform, a symbol of towering strength despite his pronounced stoop, his weather-beaten face as if modeled out of granite by a few powerful strokes of the chisel, with thick, protruding eyebrows and a heavy, drooping mustache giving it an added air of grimness. Thus the populace has seen him, and bowed to him in awe, reverence and obedience."

Even this brief description indicates that Pilsudski did not fit into the usual mold of European dictators. They not only delight to show themselves on every occasion, but cling to direct power and concentrate as much of it as possible in their own hands. Of his own volition Pilsudski divested himself of titular authority. Holding at one time or another all the highest offices in the State, he quit them as soon as he thought it safe for the nation that he do so. If he gained all the power in the land, he habitually delegated it to others whom he permitted to rule as best

they might—until they were brought up short by the Marshal for what he considered their mistakes. "Dictatorship by proxy," one student of Polish affairs aptly termed the system.

One reason for such self-effacement was the Marshal's extreme dislike for administrative detail. He had neither the patience to handle office routine nor the training that fitted him to grapple with the economic, financial and similar matters that nowadays make up so much of the work of governments. But another reason was that he deliberately sought to school his lieutenants in the art of government by throwing upon them the responsibility of managing affairs and making decisions.

The principles that guided Pilsudski in helping to create the new Poland influenced him also in directing its government. Convinced that the country's eighteenth-century misfortunes were traceable to its military weakness and to a neglect of foreign policy that was carried to the extent of virtual abolition of the diplomatic service, he made it his main concern to buttress the nation's armed defenses, to build up a vigilant and capable foreign service, to maintain friendly relations with leading European powers and to insure the republic against all contingencies through an alliance with France.

In many quarters Pilsudski's passing naturally raised the question, "Whither Poland without its strong man?" The general opinion appeared to be that there would be no immediate change of either domestic or foreign policy; and the view was regarded as confirmed by the prompt succession of General Rydz-Smigly, chosen in advance by Pilsudski himself, to the important post of Inspector General of the army. If there was to be any real succession to the rôle of "strong man" which the deceased dictator played, General Rydz-Smigly was considered as eligible as any one else who could be named. Others mentioned in this connection were General Sosnowski, who for several months shared Pilsudski's cell in the prison at Magdeburg; Premier Walery Slawek, one of the dictator's most intimate friends, and Foreign Minister Josef Beck.

Perhaps the *Kuryer Warszawski*, a moderate anti-Pilsudski newspaper, with which, in this matter, the official *Gazeta Polska* agreed, will prove to have been close to the mark when it said: "The Polish people will not be led in the future by the strong force of a single individual. There is no such man in Poland, and the nation would not like to adopt a system of one-man leadership. Poland enters a new period of wider, fuller responsibility." The clearest fact that has so far emerged from the situation is that internationally, with Pilsudski's steadying hand removed, Poland will be pressed hard to fall in with the new Franco-Russian alliance on the one hand, and with Germany and her satellites on the other. The bidding, indeed, has already begun.

Five days before Pilsudski's death the long-awaited national electoral law to which, with its curious mixture of democratic principles and Fascist tendencies, the dictator had given his assent, was submitted by Premier Slawek to the group of government and political leaders sponsoring it in the Sejm. Political parties and all similar groupings are to be abolished; 400 candidates for the 200 seats in the Sejm (reduced from the present 444) will be selected by non-partisan committees consisting of representatives of municipal councils, chambers

of commerce, agricultural associations, labor unions, the legal profession, the universities and other bodies; and from the four candidates named in each of 100 electoral districts the voters (now required to be over 24 years of age instead of 21) will choose two. One-third of the ninety-six members of the Senate are to be appointed by the President of the Republic and the remainder by provincial councils and other groups. Though certain to be opposed warmly by the German and Jewish minority groups and other Opposition elements, the plan is expected to be voted at an early date.

CZECHOSLOVAKIA'S HITLER

Although the politics of a country containing some twenty political parties might be expected to be characterized chiefly by confusion, a high degree of political stability was maintained in Czechoslovakia for five and a half years after the parliamentary elections of December, 1929. Except for the secession of two small parties having between them only twenty-five Deputies, the government depended throughout the period upon the support of the same coalition or bloc. Furthermore, as the elections of May 19, 1935, approached, it was quite generally assumed that the composition of the government majority would remain unaffected by any major change. Its component fractions were known to have decided to continue for the future the policy of cooperation to which they had adhered in the past.

The elections passed off quietly, but the results were not altogether as anticipated. To be sure, the votes polled by the Czech parties showed little change, the largest quota being that of the Agrarian party (1,176,000). But the German-speaking electorate swung in such unexpected numbers to the newly organized Sudeten German party founded by the "Czechoslovak Hitler," Konrad Henlein, that the party actually polled more votes (1,294,000) than any of its rivals and secured forty-four seats, only one less than the number won by the Czech Agrarians. In some districts, indeed, the poll ran between 70 and 80 per cent of the entire German vote, being drawn about equally, it would seem, from the German Socialists, Agrarians, Catholics and Communists.

The elections weakened the German parties of the government bloc so seriously that the Malpetyr Cabinet resigned. A new coalition was formed, however, and Jan Malpetyr formed a new government which differed but slightly from its predecessor. No representative of the Sudeten German party was included, thus bearing out a statement made on May 23 in *Ceske Slovo,* mouthpiece of Foreign Minister Benes, that the Czechoslovak National Socialist party (of which M. Benes is leader) would not tolerate participation of the Henlein party in the government, and that the country's democratic parties were strong enough to serve the nation's needs.

Henlein's program, while giving lip-service to democracy and to the unity of the Czechoslovak State, as the party was obliged to do in order to be allowed to put up candidates, in reality drew the support of all the German Nazis and Nationalists of anti-democratic tendencies. It is commonly believed, although not capable of being proved, that the movement was largely financed from Germany. Justly claiming a "unique electoral triumph," Henlein in a telegram to President Masaryk reiterated the declaration made in scores of campaign speeches that his party accepts the basis of the existing Czechoslovak State and desires to be "loyal fellow-citizens of the Czechs." The upper-

most question as the elections passed into history, however, was: What will Henlein do with his great victory?

THE YUGOSLAV ELECTIONS

The Yugoslav dictatorship on May 5 risked a general election without banning opposition candidates. That the government came off victorious should not be surprising since voting was open and oral and plenty of pressure was applied to insure results satisfactory to the ruling powers. But for the first time under a contemporary dictatorship the opposition had at least a certain amount of opportunity to stand up and tell the government what it thought of it.

By decision of the Court of Cassation, the lists of two parties—the Socialists and a smaller group known as the National Dissidents—were refused recognition as not complying with the law, but two other opposition lists received approval from the same authority. The Slovene party, led by the former Premier Korosec, boycotted the elections. But no fewer than four parties participated: the Government party, whose list of candidates was headed by Premier Yeftich; the party of M. Maximovitch, whose list contained the names of many members of the National party which held sway until King Alexander's death; the Croat Peasant party, once more led by Dr. Vladimir Matchek, and furnishing the bulk of the Opposition; and the party of M. Lyotitch, representing the national corporative movement.

Governments in Yugoslavia do not lose elections, and in the present instance the precautions taken ran the full gamut of bureaucratic and police pressure, particularly in Croatia. Anti-government demonstrations were broken up; opposition organizers were arrested; foreign newspaper men were ordered out of the Croatian area, presumably to prevent them from reporting acts of terrorism; officials and teachers everywhere worked, under orders, for the government ticket; voters were carried to the polls in hundreds of government automobiles. As every informed person expected, the Yeftich government won a decisive victory.

The country has a highly complicated electoral system, of which a principal feature is that the party polling a majority of the votes automatically receives three-fifths of the seats in the Chamber plus all those for Belgrade, the capital, while the remaining two-fifths are divided proportionally among all parties participating in the contest. The Government party thus obtains four-fifths of the seats if it polls a bare 50 per cent of the popular vote.

Official figures published two days after the May 5 election revealed a total popular vote of 2,778,172, of which the Government list received 1,738,390, the National Peasant list 983,248, and the two lesser party lists 32,720 and 23, 814. Under the prevailing plan of allotting seats, the Government list secured 301 out of a total of 368. Hardly more than two-thirds of the electors went to the polls, perhaps because of the widespread indignation aroused by the electoral irregularities indulged in by government officials and agents. Neither of the lesser parties polled enough votes to share in the distribution of seats.

In Zagreb, the home of Dr. Matchek, the Peasant party polled 30,000 votes, as against 10,000 for the government, and throughout the Croatian area the opposition vote was far heavier than official reports given out in Belgrade would indicate—running, according to unofficial reports, as high as 80 or 90 per cent of the total. Emigrés from

the region reported that at least eleven persons were killed and scores wounded because of their opposition to the government and indicated that a formal protest to the League of Nations was being planned. To an outside observer it seemed a pity that the Belgrade government should so quickly have squandered the patriotic fervor created among the Croats by the assassination of King Alexander only seven months previously.

A MONARCHY FOR GREECE?

The Greek royalists received a severe setback at the Parliamentary elections held on June 9, when they won only seven seats, while the Tsaldaris-Kondylis party won 287 out of 300. The government thereupon postponed indefinitely a plebiscite on restoring the monarchy. Nevertheless, *Vradene*, the chief newspaper organ of Premier Tsaldaris, had declared on May 7 that the return of King George II, who lost his throne twelve years ago, was a "strong probability." It was generally believed that the Premier, despite his oft-reiterated support of the republic, was quietly preparing for the proposed restoration. The eight-day revolution precipitated by Venizelist officers and sympathizers in March was allegedly motivated by the fear of such a contingency.

Support for the monarchist cause comes principally from the followers of three of the country's cleverest politicians—Tsaldaris, Kondylis and Metaxas—as well as from other people who look upon a revival of kingship as a logical and necessary means of relief from the prolonged absolutism which Venizelos exercised with unmatched adroitness inside the limits of a republican constitution. At present, not only is M. Venizelos in exile with a sentence of death hanging over him, but his Liberal Republican party is in ruins.

Peace Prospects on the Baltic

By RALPH THOMPSON

A RELATIVE calm descended upon the turbulent Memel area during the month of May, with something like sweet reasonableness hovering over the Baltic area as a whole. The meeting of the Foreign Ministers of Estonia, Latvia and Lithuania at Kaunas from May 6 to May 8, while not fully reported to the press, apparently resulted in renewed assurances of cooperation among the three republics themselves and in pious if not explicit assurances of their devotion to the cause of peace. Before the conference assembled it had been rumored that Lithuania, because of her continuing differences with Poland, would no longer be able to see eye to eye with Estonia and Latvia, but these rumors were set at naught (at least in the official communiqué) by the conferees themselves. As the conference met, indeed, indications of an impending Polish-Lithuanian rapprochement became once more visible.

What has been called the first formal meeting since 1926 of Polish and Lithuanian officials took place in Geneva on April 18, when M. Klimas, the Lithuanian Minister to Paris, called upon Colonel Beck, Polish Foreign Minister. Some weeks later Major

Lepecki, personal aide-de-camp to Marshal Pilsudski, arrived in Kaunas, presumably to talk with influential political figures there. Thus again it becomes a possibility that Lithuania, perturbed by Germany's gestures in regard to Memel, has either sought or shown herself willing to accept reconciliation with her ancient enemy, the Polish Republic.

Toward Germany as well Lithuania has chosen to assume a more conciliatory attitude. On May 17 the Supreme Court at Kaunas upheld on appeal the death sentences recently imposed on four Memel Nazis, but reduced all prison sentences meted out (except that of Hans von der Ropp, aide to the Nazi leader von Sass) and altered details of the fines ordered by the military tribunal. On the following day President Smetona commuted the death sentences to life imprisonment.

These measures of clemency did much to relieve a growing tension. Although official Germany declared that the President's decision "did not correct the injustice originally done," there was no question that had the four men faced a firing squad, popular resentment within the Reich would have reached serious proportions. While relations between the two countries are still bad, they have at least up to this point not been embittered by legalized bloodshed.

On yet another score Lithuania has exhibited reasonableness. The British, French and Italian Governments, as guarantors of the Memel Statute, dispatched on April 19 a joint note (a previous note had been sent in March) calling attention to the anomalies existing in Memel and declaring that Lithuania should take steps to reintroduce representative government there. The Statute provides that a Directorate of five members shall enjoy the confidence of a Chamber of Deputies, but when the note was sent no such Directorate existed and the Chamber had not sat effectively for nearly a year, since in protest against the German majority Lithuanian Deputies had consistently absented themselves and thus prevented a quorum.

In reply to the note of the guarantor Powers, Lithuania on May 2 reported that everything possible to meet the conditions of the Memel Statute was being done. President Bruvelaitis of the Directorate had in fact already appealed to German leaders in the Chamber to accept a place on the Directorate, which would then have three out of its five members representing the German majority. But his appeal was in vain, and on May 5 the three-year mandate of the Chamber expired. Although the Memel Statute makes no provision for new elections after the natural expiry of a period of office, M. Kurkauskas, Governor of the Memel Territory, announced on May 11 that voting would take place at the end of September. The much-fought-over area may therefore eventually be blessed by a government which represents the will of the people rather than that of Nazi sympathizers or hyper-ambitious Lithuanians.

THE MONTH IN SWEDEN

First in point of time of recent events in Sweden was the visit to Stockholm in mid-May of Rudolph Hess, German Minister without portfolio, to lecture before the Swedish-German Society. His remarks were apparently intended to re-establish that sympathy which Swedes once held for Germany, but, according to local press comment, they did nothing of the kind. Although Herr Hess was received by King Gustav, government circles were plainly not flattered

by his presence. "Herr Hess," the semi-official *Social Demokraten* observed editorially, "declared in public that German Socialists, spiritual comrades of the Swedish majority party, were scoundrels responsible for Germany's woes. He could speak thus because Sweden is a free country. What, however, would happen to a Scandinavian Socialist who took it upon himself to judge Nazis while visiting in Berlin?"

Indirect evidence of the coolness with which Sweden now regards Germany was to be gathered from the trade agreement which Sweden and the United States signed at Washington on May 25. Both parties to the new treaty made tariff concessions calculated to increase their exports, and each granted the other most-favored-nation treatment. Thus Germany's declining exports to Sweden, which during the years 1926-1933 represented about 30 per cent of Sweden's total foreign purchases, will probably be further decreased.

The last week-end in May began with one great national celebration and ended with another. On May 24 Princess Ingrid, daughter of the Swedish heir to the throne, was married amid royal splendor to Crown Prince Frederik of Denmark. Three days later commenced the nation-wide ceremonies commemorating the 500th anniversary of the founding of Swedish democracy. A peculiar interest attaches to the proximity of these two events, for it was in opposition to Denmark that Engelbrekt Engelbrektsson in 1435 called together the first Swedish Parliament.

Patriotism Comes to the Soviets

By EDGAR S. FURNISS

THE May Day celebration in the Soviet Union this year gave striking proof of the changing character of communism as interpreted by the present leaders. There was virtually no sign of the emphasis upon world revolution and the international unity of the militant proletariat so characteristic of May Day in former years. Indeed, a great patriotic demonstration was held. It was not unlike those which commemorate the national holidays of other countries. Special efforts were made to impress foreign observers with the military might of the Soviet Union. In Moscow the keynote of the demonstration was the display of Russia's military aircraft. More than 700 planes took part, ranging from gigantic bombers to new types of pursuit planes capable of prolonged flights at high speeds. The ground display, consisting principally of tanks, armored cars and field artillery, emphasized the mechanization of the Soviet Army. The prize unit of the Red Army, the Proletarian Division of 20,000 soldiers, was the chief representative of the standing army of 1,000,000 soldiers.

The military displays in Moscow and elsewhere were undoubtedly intended to warn the other nations that Russia would prove a dangerous antagonist to any enemy State or group of States. The speech-making of the day drove home the point. The keynote struck by the chief orator, Defense Commissar Voroshilov, was not bellicose and provocative, but

aggressively self-confident in expressing readiness to fight in defense of Soviet national interests.

Although international considerations helped to determine the character of the May Day celebration, it was significant in a still more striking manner. The Soviet State no longer figures as the leader of a world-wide class movement. It has become absorbed in its own problems to such an extent that the very day dedicated to the conception of a class war that knows no national boundaries has lost for Russia its international character. Even the Executive Committee of the Communist International, in its usual annual message to the workers of all countries, showed clearly the influence of its Soviet environment. The message was not a call to arms as in former years, but a rather mild appeal to wage-earners everywhere to struggle for bread-and-butter advantages such as higher wages and shorter hours.

The sudden dissolution of the Society of the Old Bolsheviki by decree of the Central Executive Committee of the Communist party on May 26 is another indication of Stalin's decision to free himself from the revolutionary traditions of communism. Membership in the society was restricted to those whose party activities antedated the revolution in 1917, and accordingly it included many men whose adherence to older doctrines made them suspect to the leaders who are today directing communism into new channels. At one time the honor society of Russian communism, it had headquarters in the Kremlin, its own publishing house, a theatre and a museum and local chapters in large cities. One by one the most prominent members, such as Trotsky, Kamenev, Zinoviev, Rykov and Tomsky, have fallen victim to Stalin's determination to stamp out all opposition to his will. Since the society remained a link with the past that might at any time prove troublesome to the new leadership, it was suppressed and its property taken over by the Executive Committee.

On the same day *Pravda,* the official party organ, published a decree calling for a comprehensive re-examination of the party membership before the forthcoming issuance of new membership cards. The decree lumped together "counter-revolutionary Trotskyists, White Guards and Zinovievists" as enemies of the Communist cause to be extirpated by a vigilant censorship. In other words, the present dictatorship draws no distinction between the supporters of Czarism and the original members of Lenin's inner council. These occurrences within the party, like the national observances of May Day, indicate how radically the Sovietism of today differs from that of a few years ago.

Since the beginning of the year the government has adopted numerous changes of policy affecting the status of the peasantry within the Soviet social structure. The abandonment of the ration card system, announced in January, canceled a privilege long enjoyed by the wage-earners as against other social classes. Political discrimination against the peasantry, which had existed since the beginning of the Soviet régime, was removed by the electoral reforms of February. The details of the new system have not yet been announced, but it is clear that the peasant population will in future hold predominant power in the Union.

The system which gave the urban population at least three times as many representatives in proportion to their numbers as the peasants has been abolished, as has been the system of indirect election which still further reduced the political influence of the

rural population. These devices are to be replaced by a system of "direct, equal and secret voting," which counts each citizen above 18 years of age as one voter regardless of his residence or occupation. Since the peasants now number 127,000,000 and the urban dwellers 40,000,000, the effect of this change, if fully carried out, is obvious.

The peasants have also been granted new privileges that materially improve their economic condition. Recent decrees give the members of the collective farms substantial increases in the amount of land they may hold under private cultivation and in the number of farm animals they may own privately. The plots of ground vary according to district and size of family from three-quarters of an acre to three acres. In the grain-producing areas each household may own one cow and two calves, ten sheep and goats, some pigs and an unlimited number of poultry. In the cattle raising districts the allowance of farm animals is considerably larger. The government has promised to aid in financing the purchase of these allotments of livestock. Improvements have also been made in the methods of payment for the labor of peasants on the collective farms.

These political and economic concessions have been interpreted by certain observers as a move by the government to assure the loyalty of the peasants in the event of war. It is said that the new policies were proposed and their adoption effected by Voroshilov, Commissar of Defense. Last year the government was disturbed by discovering wide-spread disaffection in many rural regions, and particularly in the strategically important area of the Ukraine, where it had developed to the point of an organized separatist movement. This Spring conspiracies of the same character were again discovered. These findings lend support to such an interpretation of the new agrarian policy.

Even if this explanation is accepted, there are other aspects of the situation to be considered. The relaxation of political control over the peasants and the more generous treatment accorded them testify to advancing Soviet prosperity and the increasing security of the program to which the government is committed. The food supply of the urban people and the army is well enough assured for aggressive tactics against the peasants to be discontinued. The industrialization program is so far advanced that the burden of financing it at the expense of the people can be lightened. The socialized forms of agrarian organization are now well established and coercive measures can be replaced by appeals to individual interest.

Economic progress is also reflected in recent changes of industrial policy. Until the present year the government has concentrated its energies primarily upon volume. New industries were multiplied; machine equipment was accumulated in vast quantities and as rapidly as possible; production schedules were increased year by year. Achievement, whether of the individual workman, the individual factory or the entire industrial structure, was measured only in terms of gross quantity. This entire program, Stalin said in a recent speech, was guided by a conviction that the government was working against time to make the country industrially self-sufficient under constant threat of attack by foreign enemies. During these years of industrial expansion little attention was paid to quality. For example, when the wage system was revised to discard the Communist principle of equality for the capitalistic method of payment based on effi-

ciency, the premiums went to the workers who exceeded the scheduled quantities.

This Spring, however, the industrial program entered upon a new phase. The problem of providing productive capital in the form of new industries has been to a large extent solved, and there no longer exists urgent need for rapid expansion. The emphasis has been shifted to the effective operation of the existing industrial plant. This is a problem of training personnel, from the manager and technician down to the machine tender, to operate the new industries on a basis measurable in terms of quality as well as quantity.

The Soviet Government is attempting to supplement the achievements in industry and agriculture by currency stabilization. The ruble, nominally on a gold basis, has had no definite value in foreign markets, while within the Soviet Union its purchasing power has fluctuated with each issue of paper money and has been further affected by official price regulation. The abandonment of the ration system and the rapid expansion of trading in the open market, which have occurred since the beginning of the year, have greatly tended to increase the free play of economic forces in determining the domestic value of money. At the same time, the government is taking steps to control the amount of money in circulation. During the past two years almost 700,000,000 rubles in currency has been withdrawn. A new internal loan of 3,500,000,000 rubles, announced on May 4, is intended to aid monetary stabilization by providing the means for capital expenditures without inflating the currency.

Turkey's Nationalist Creed

By ROBERT L. BAKER

FOR several years writers on Turkey have been seeking a name that would adequately describe the theory of government that is applied by the young republic. None of the conventional labels was satisfactory. In fact, the system was created to meet Turkey's peculiar conditions, and a strange mixture of ideas was the result.

Turkey is democratic, but anti-Liberal. Her program resembles fascism in some respects and communism in others. At home it stresses nationalism and insists that Turkey shall be preserved for the Turks, but in foreign policy it has been conciliatory in both theory and practice. The almost legendary President, Kemal Ataturk, is an ill-disguised dictator and the administration is highly centralized. Yet the Grand National Assembly, unlike the Parliaments of Italy and Germany, is surprisingly free in its discussions, works hard and performs many useful functions. It is controlled, however, by the Republican People's party, which enjoys as great a monopoly in politics as do the Fascists in Italy, the Nazis in Germany and the Communists in Russia.

This being true, the general congresses of the People's party are very important, and their decisions are enacted into law without delay by the Grand National Assembly. At the

fourth of these congresses, which met at Ankara from May 10 to May 17, an official name was given for the first time to the program of the party. Appropriately enough, the name chosen was "Kemalism."

Among the doctrines connoted by Kemalism and reaffirmed by the congress are the following: (1) Sovereignty belongs to the people through the Grand National Assembly; (2) class distinctions are abolished and equal rights for men and women are recognized; (3) the State should own all public utilities and industries that directly concern national defense, and should control industry with the right to purchase any enterprise when deemed desirable; (4) religion is a private concern and the State shall not interfere except to insure that religious prejudice is not made the pretext for reactionary propaganda endangering the safety of the republic; (5) individual freedom and private ownership are guaranteed provided they do not conflict with the public interest; (6) "all the country's resources, human and material, shall be used for its defense."

Point 5 is perhaps the most significant of these doctrines because the authority to define "the public interest" remains in the hands of the President and his advisers. In view of the government's often exercised power of administration by decree, the individual Turk's freedom is thus exposed to abuse.

There is no place for liberalism in the Turkish State. Rejeb Peker, secretary general of the People's party, declared before the congress that it led to political quarrels and ultimately to anarchy. Nevertheless, the party permitted a number of independents to win seats in the last election to the Grand National Assembly in order to encourage debate.

A certain amount of tolerance was shown by the congress when it was proposed to prohibit the wearing of veils by Turkish women. The body finally decided against such legislation, holding that most women have already abandoned the veil and that the remainder, mostly older women, will gradually follow their example.

On May 28 the Grand National Assembly adopted a bill making Sunday the weekly day of rest in Turkey in the place of Friday, the traditional Mohammedan Sabbath.

Turkey's determination to keep pace with Europe's armament was shown by two incidents during May. On May 18 the Cabinet approved a plan for compulsory pre-military training of Turkish children of both sexes, and a training program is being drafted by the general staff. This measure seems to have been copied from Mussolini's "child army." The Cabinet also ordered a large increase in the number of reserve officers. That Turkey will soon increase her air forces to about double their present strength is apparent from a speech by Premier Ismet Inonu on May 25, in which he declared that $24,000,000 must be appropriated annually for the purchase and upkeep of a minimum fleet of 500 planes.

A move to overthrow the republic in Southern Asia Minor was discovered on May 5, and by May 8 more than thirty of the conspirators had been arrested. The movement was headed by Sheikh Uzzeman Saidi, one of the leaders of the Kurdish revolt of 1929. Dissatisfaction with the religious policy of the government appears to have been the basis of the plot.

The Izmir (Smyrna)-Aidin Railway, British built and owned, was purchased by the Turkish Government on May 1 for about $8,500,000. Turkish bonds bearing 7½ per cent interest, payable in forty annual in-

stalments, were accepted by the company in payment.

EGYPTIAN POLITICS

Egypt witnessed one of its rarest political events, a compromise, on June 1, when Nahas Pasha and other leaders of the Wafd, or Nationalist, party promised Premier Nessim Pasha not to press for the immediate restoration of the 1923 Constitution. Nessim's Cabinet, which appeared very shaky during the last half of May because of attacks from both the Palace and the Wafd press, was thereby given a new lease on life, and was expected to survive for several months at least.

Such an unusual concession was most distasteful to the Wafdists, as they ardently desire free elections under the old Constitution, confident that they would be returned to the dominant position they lost in 1930. The alternative to supporting Nessim, however, was even less pleasing to them. If Nessim, who is pro-Wafdist, had been forced to resign on account of continued Wafd opposition, the Premiership would undoubtedly have fallen to an avowed enemy of the Wafd and the 1923 Constitution would have been further from realization than ever.

It is believed that Nessim really desires an early return to constitutional government, and that his delay in restoring it is due to two factors. First, he has expressed on many occasions his purpose to rid the administration of corruption and political sinecures before turning it over to party control; and second, he is obliged to respect the wishes of the British Residency, which seems to be playing a more active rôle in domestic affairs than it has for several years.

The British, along with conservative elements in Egypt, are fearful of the consequences of restoring the liberal Constitution of 1923—revival of political animosities, elections accompanied by considerable violence, Wafdist control of Parliament and government, and a heightened nationalism. It is not unlikely that the Residency has been advised by the British Foreign Office to "keep Egypt quiet at all costs," in view of the international situation.

Nessim Pasha has been violently attacked in the press of Cairo recently as a minion of the Residency, an accusation that is palpably untrue, though in practice he must either follow British wishes or resign. While he cares little about being Premier, he is eager to carry out his administrative reforms, and for that reason desires to stay on. The Wafd, in giving him more time, expects him to persuade the British that it has changed greatly since the late Twenties and that it can now be safely entrusted with the reins of government. If Nessim fails to win over the Residency within a reasonable time the postponed crisis will return in a more serious form.

The Egyptian Finance Minister on April 25 reported a budget surplus of $20,000,000 for the fiscal year ended April 30.

IRAQ AND IRAN

At the meeting of the Council of the League of Nations on May 25 it was decided to adjourn consideration of the dispute between Iraq and Iran over legal rights in their boundary river, the Shatt el Arab, until the next session. Baron Aloisi of Italy, the reporter on the dispute, informed the Council that the principals had failed to agree, but expressed the hope that they might be prevailed upon to negotiate directly. In any case the quarrel is not serious, and there is



(From the London *Times*.)

little danger that it will cause a break.

Boundaries, in the case of rivers, are normally considered to be mid-stream. But, according to the Turco-Persian Treaty of Erzeroum in 1847 and a protocol in 1914, Turkey's sovereignty over all the waters of the Shatt el Arab was recognized. After the war Iraq, as the succession State, claimed all Turkey's legal rights, including full control of the river. As Persia questioned the latter right, Iraq appealed to the League last December to confirm her sovereignty.

Apart from her legal claim, based on the treaty and protocol, Iraq contends that while Iran has a thousand miles of seacoast she has none, and that her only means of access to the sea is by way of the Shatt el Arab. Hence she does not want to share legal possession with Iran. Once her legal claim is upheld she promises to be willing to negotiate over the question of a mixed board under a neutral president that would control navigation on the river.

Iran, on her part, disputes the validity of the treaty of 1847 and the protocol of 1914, on the ground that they were not ratified by the Persian Parliament. She does not complain about her present treatment in the Shatt el Arab, but points out that at some future time she might suffer because of her lack of legal status. As Iran's case is far from being strong it is believed that she will eventually agree to accept a *modus vivendi* giving her equality of status regarding the river.

IRAQ QUELLS REVOLT

A time must eventually come when the leaders of Iraq will take steps to liquidate the semi-independent tribes of the Middle Euphrates, but at present a tolerant policy is in vogue, mainly because the central government lacks the strength to adopt a strong attitude toward the tribes. Some of the sheikhs are very hard to please and appear to know of no other way to express their real or imagined grievances than by revolt.

Since the beginning of the year there have been two such tribal uprisings, the last occurring early in May. Little more than a show of force was necessary to put them down, but meanwhile the rebels caused considerable damage and inconvenience by cutting railway tracks and telegraph and telephone lines. The sheikhs submit only to rise again because they know that they will not be dealt with harshly. In return they gain local renown and usually extract new concessions from the easy-going Baghdad government.

The most recent revolt occurred near Ramaitha and for more than a week disrupted communication by rail, telegraph and telephone between Baghdad and Basra, Iraq's important port at the head of the Persian Gulf. Government troops sent into the disaffected region met with little resistance and on May 23 it was officially announced that all the sheikhs involved in the revolt had submitted.

An heir to the Iraqi throne was born at Baghdad on May 2 to Queen Aliyah and King Ghazi.

Japan's High Hand With China

By GROVER CLARK

ONCE more Japan has forced the issue in China. Once more China has given in to the strong demands of the Japanese Army, acting independently of the Foreign Office. In this case the army spoke through its headquarters in the Manchukuo capital, which means that the talking was done by that arch-militarist, General Jiro Minami, who, as Japan's commander of the Kwantung Army, Ambassador to Manchukuo and Governor of the Kwantung Leased Territory, controls all Japanese activities in and related to Manchuria. Nor does General Minami seem to have thought it necessary to consult even the War Office in Tokyo before acting.

Japanese Army headquarters at Hsinking issued on May 4 a statement threatening drastic action to end so-called violations by the Governor of Hopei Province of the agreements relating to the neutral or demilitarized zone just south of the Great Wall. The Governor, according to the statement, had sent troops into this zone in violation of the terms of the Tangku truce of 1933 and of supplementary agreements, including one reached on April 11 of this year.

According to Tokyo reports, this move, like that on Sept. 18, 1931, when General Minami was War Minister, came as a complete surprise to the Japanese Foreign Office, which had no idea that new trouble had arisen. The Foreign Minister only the day before had told the Japanese prefectural Governors that relations with China were showing "notable improvement"; he also had urged the need for still more collaboration and amity.

The "truce area" in question, which stretches from the Great Wall almost to Peiping and Tientsin, has been the breeding place of much ill-feeling since the Japanese forced the Chinese to agree to its creation in 1933. When Japanese troops advanced close to Peiping and Tientsin, the Chinese signed the Tangku truce to get them beyond the Great Wall. By that truce, China assumed responsibility for preserving order in the district, but she was debarred from sending soldiers into the zone and was permitted to use only a limited number of special police. Since the signing of the truce, the zone has been the gathering place of trouble makers, many of whom were driven out of Jehol by the Japanese. These men have kept the zone disturbed, and occasionally have raided outside it.

The Japanese have blamed the Chinese for the trouble, but have refused to permit them to send in troops to restore order. The Chinese have accused the Japanese of wanting to allow this extremely unsatisfactory condition to continue so that at a convenient moment the Japanese Army would have an excuse to occupy the area in "self defense."

Such had been the situation for two years. New trouble started early this Spring when the Japanese drove another partially organized lot of "bandits" from Jehol into the zone. The Hopei Governor, in whose Province the zone lies, seems to have

moved troops toward or into the zone, and the threat from the headquarters of the Japanese Army at Hsinking followed.

For a couple of weeks thereafter the Japanese did not act, but on May 20, their troops moved south of the Wall. Chinese irregulars, it was charged, had been making trouble along the Jehol border. According to a War Office statement in Tokyo, "if things had been left as they were, it was feared that the peace of Jehol would again have been disturbed." But the War Office also was careful to declare that "the sole object of the present drive is to clear away the bandits, and the Japanese troops will be recalled within the Great Wall once the bandits are defeated. The Japanese Army has not the slightest intention of starting other military operations." All this echoes Japanese Army statements in the Autumn of 1931.

A clash occurred on May 23 in which, according to the reports, 300 Chinese irregulars and six Japanese soldiers were killed. Three days later a Japanese military report at Tientsin had it that the Japanese troops were withdrawing, since the "disorderly elements" had been crushed. But on May 28 the Japanese Legation at Peiping stated that the Japanese troops were remaining to "mop up" and make sure the bandits would not reunite, though the final dispersal of the trouble-makers would be left to the Chinese Peace Preservation Corps in the zone. Meanwhile, Japanese airplanes had resumed daily "observation" flights over Peiping and surrounding territory.

The next step followed quickly. The Chinese authorities in Peiping and Tientsin were presented on May 29 with a formal statement that unless all the Japanese demands were met without qualification the Japanese Army would move down in force and extend the demilitarized zone to include these two cities. The statement said that anti-Japanese intrigues and activities originated chiefly in these centres; both the 1933 Tangku truce and the Boxer protocol of 1901 were violated frequently and with the deliberate intent of provoking the Japanese Army and creating disturbances in Manchuria. This was forcing the Japanese Army to act in self-defense, and the Chinese would be responsible for the consequences. The Japanese Chief of Staff in North China said that the statement "does not contain any bargaining points."

On June 5 the Nanking Government was reported to have agreed to all the demands. These were described unofficially as follows: Withdrawal of Chinese troops from the Peiping and Tientsin areas; replacement of all officials in North China objectionable to the Japanese Army; closing of all offices of the Kuomintang in North China; abolition of the North China political training section of the Chinese Military Council; dissolution of anti-Japanese organizations in North China; complete suppression of "anti-Japanese education" in Chinese schools; destruction of Chinese books containing anti-Japanese passages.

Apparently not even the Tokyo War Office was consulted about the presentation of these May 29 demands; the correspondent of *The New York Times* reported on May 30 that "the War and Foreign Offices received dispatches concerning the latest tension only this afternoon." Both offices, however, promptly began to drag out excuses for what the army had done. The Tokyo and the Nanking Foreign Offices also promptly started to minimize the importance of what had happened, declaring that the trouble was purely local and could be settled

easily. But the military authorities directly involved on both sides were less pacific.

JAPANESE FOREIGN TRADE

Japan buys from both Canada and Australia considerably more than she sells to these countries. Last year the unfavorable balance with Canada reached 46,000,000 yen and with Australia 133,000,000 yen. (The yen exchange is about 28 cents.) The Japanese have sought to reduce these deficits, but they are using quite different methods in dealing with the two British countries.

With Australia the Japanese are applying the old adage that honey catches more flies than vinegar. Several trade and good-will missions, official and unofficial, have been sent to Australia, and the Australian trade mission which visited Japan last Autumn received a royal welcome. Japanese spokesmen in Australia have talked of friendship and good-will as a basis for mutually profitable trade.

But the policy toward Canada is quite different. On May 1 a protest was filed with the Canadian Minister to Japan against the Canadian method of levying import duties on Japanese goods which are valued for customs purposes at the old parity of the yen (49 Canadian cents) instead of at the present exchange (about 20 Canadian cents). As a result, the Japanese claim, import charges on Japanese goods are increased by 300 to 400 per cent. They regard this method of calculating duties as unfair. The Canadians, on the other hand, deny any unfairness, asserting that the exchange equalization laws are applied without discrimination to goods from all countries. In addition, it is Japan's own fault if she suffers, since she has only officially to devalue the yen so that it will have a new parity somewhere near the present actual exchange value instead of 60 per cent above that value.

This protest to Canada came a couple of days after Foreign Minister Hirota had appointed two committees to study trade matters. One of these is to consider the Canadian situation; the other is to study important controls with a view to opening up markets for Japanese goods in countries with which Japan now has a large import surplus. This latter committee, if the wishes of leading Japanese industrialists are carried out, will also take up the question of regulating industrial production in Japan so as to check a tendency toward overproduction which has been apparent since the first of this year.

In the case of Canada, Japan can exert pressure, even to the extent of refusing to buy Canadian goods, because Japan may buy elsewhere such Canadian products as newsprint, wheat, timber, zinc and lead. But Japan must tread softly in dealing with Australia since most of her wool is obtained there and adequate supplies are not to be found elsewhere. The Japanese also hestitate to talk of a refusal to buy American goods, even though imports from the United States considerably exceed exports to this country, because Japan gets much of her raw cotton here.

Japanese trade leaders, however, are seeking new sources of cotton in order to free themselves from this dependence on the United States. They are turning in part to Brazil. The head of a Japanese trade mission placed a tentative order in May for 200,000 bales of Brazilian cotton—compared with a little over 9,000 bales taken in 1933—but he accompanied the order with remarks about the desirability of better understanding and

of more purchases of Japanese goods by Brazilians.

Toward the same end of building up sources of raw cotton, Japanese interests are investing considerable money and effort in the development of cotton production in the northern coastal provinces of China as well as in Manchukuo. If the present hopes are realized, one estimate has it, Japan within two years will be able to get enough raw cotton, and cotton of sufficiently high quality, from China to make her almost completely independent of American supplies. Already, according to reports, large areas in Shantung Province have been put into cotton instead of wheat, kaoliang and other food stuffs.

The flow of cheap Japanese manufactured goods into the United States may be greatly affected by the ruling of Judge Paul McCormick of the United States District Court at Los Angeles on May 4. His ruling barred Japanese electric light bulbs from importation into this country on the ground that they infringed American-held patents. The decision was handed down in suits filed by the General Electric Company in 1933 against a group of Japanese distributers. Judge McCormick, in giving his decision, directed the General Electric Company to apply for an injunction against the importation of Japanese bulbs; this injunction was granted on May 13. Representatives of the Tokyo Lamp Company promptly posted a $15,000 appeal bond, which will stay operation of the injunction pending appeal and settlement.

The decision would be significant if bulbs alone were involved, for Japan's sales of cheap bulbs in this country have run to 100,000,000 a year and the United States is Japan's principal export market for these goods. But considerably more is at stake. If the Los Angeles judge is upheld in the higher courts, and the principle is established that goods infringing American patent rights may be barred by court injunction from import into this country, American manufacturers will have gained a new means of checking Japanese imports. Already there is talk of bringing suits covering Japanese radio sets and equipment.

CHINESE COMMUNISM PERSISTS

Chinese Communists, according to reports based almost entirely on information secured from official sources have been slaughtered by the thousands, dispersed and driven back. General Chiang and his wife are said to be winning the enthusiastic support of the peasants by attempts to restore livable conditions in the regions from which the Communists have been expelled. Yet somehow the Communists seem to bob up again after each "crushing defeat" by General Chiang's cohorts. General Chiang has apparently been driving the various Communist armies slowly from the region south of the Yangtze River and into the far western Province of Szechuan. He has moved his headquarters westward from one centre to another, and by the beginning of June had reached Chungking, on the borders of the Szechuan plain. Yunnan and Kweichow Provinces were said to be under his control, but that control may not be very effective. Szechuan at the moment seems to be even more disturbed than it has been for several years, and foreigners in the capital city of Chengtu are moving out of the province. Despite official reports, it is obvious that the Communist menace in Central and Western China still continues.

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By Earnest Elmo Calkins

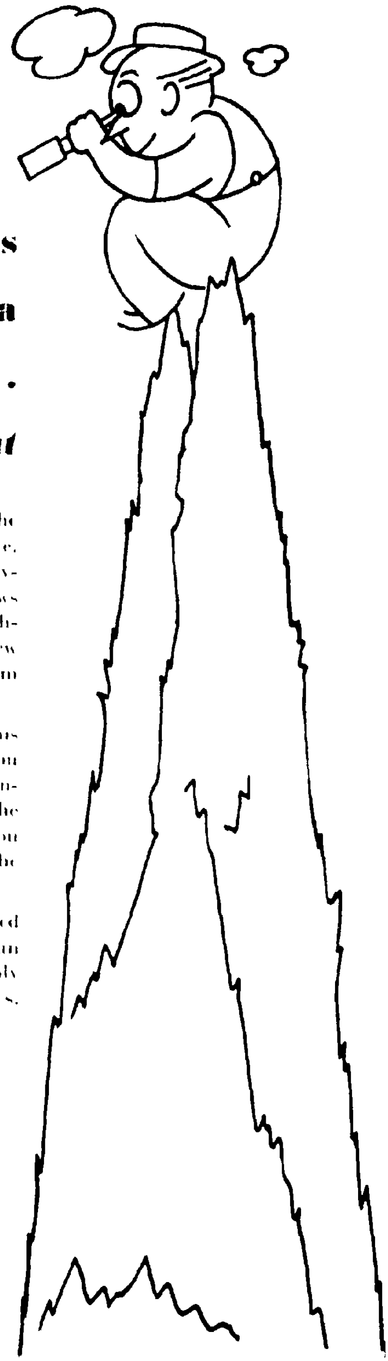
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CURRENT HISTORY

AUGUST 1935

The Will to Recovery

By EARNEST ELMO CALKINS*

WHEN doctors disagree there is a chance for the old wife with her potions and herbs—illogical remedies which produce logical results. It is unfortunate that human nature, particularly American human nature, is moved more greatly by an appeal to the emotions than to reason.

Because of this defect in our national character, this easy response to claptrap and hokum, tags and slogans, many otherwise admirable plans for aiding the country to recover its economic equilibrium have fallen short of the popular acclaim necessary to the fullest benefit. But then, if we were reasonable beings there would be no depressions.

Recovery—that is, a normal flow of goods from producer to consumer—depends on concerted action, with everybody cooperating, working and buying, earning and spending, sustained by the comforting belief that money they spend will come back to them through their work. And this concerted action can come only from a conviction, a confidence common to all, shared by all, that their world is going on and taking them with it.

It is probable that the factors in our economic scheme which have stood in the way of recovery have been removed, or greatly mitigated, by artificial devices (and by natural recovery also), but the public does not believe it. It has been told, but not so that it feels it. And these devices will never be wholly effective until people act on them.

What is most needed right now is some way of telling them that the depression is over, something that will galvanize them into action, with such force and fervor and fireworks that it will leap over their intellects and get to their emotions, their hearts, where they live. Measures thus far adopted, many of them admirable in themselves, have failed of this wholehearted reception. And their sec-

*A leader in the field of advertising, Mr. Calkins has written often on that subject. Among his books are *Business the Civilizer* as well as his autobiography, *Louder Please*. In 1925 he was awarded the Edward Bok gold medal for his services to advertising.

ondary and most important objective is not achieved.

Such things as the gold standard, inflation, devaluation of the dollar, the Banking Bill, stabilizing money, create no mental images. They lack color, drama, human interest. Since people do not understand them (I do not understand them myself), they do not become excited about them, and will not even read about them except when a quarrel breaks out, and even then the debates cannot vie in popular interest with such topics as Barbara Hutton or the Dionne quintuplets.

The more abstruse measures have an economic goal which may eventually be attained anyhow, but it would be reached more quickly if the public went along, if it got from these measures some impulse which quickened its own action and met the economic tide half way. Complete recovery depends on the recovery of each individual.

It works something like religion. You cannot be saved by proxy. Each must believe for himself, to accumulate a large enough amount of popular conviction to stimulate popular action. The national doubt that still exists is made up of all the little doubts which linger in each mind, doubts which cannot be removed by argument, however logical, but which might be swept out by a wave of popular feeling, however illogical.

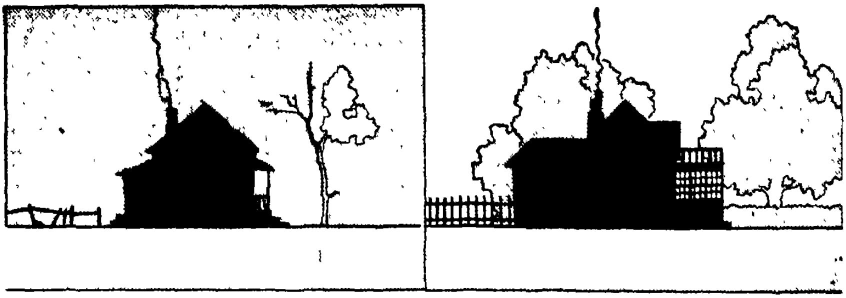
Religion furnishes a fair analogy, for it is a matter of belief. It will not bear logical analysis. Yet the whole world has been swayed time and again, not by facts, but by beliefs. Civilization has been kept on the track for centuries by the unquestioning faith of millions in the church.

The President has been aware of this from the beginning. With great patience and skill he has explained the reasons behind his measures, and he has made them as understandable as is humanly possible in his radio talks, but even so his engaging personality and sympathetic voice have influenced a sentimental people more than the logic of his arguments.

The titles given to some of his far-sighted endeavors to straighten out our tangled economic system do not make headlines. They lack the power to stimulate, and thus are contrary to advertising psychology. None of them has the moving power of such a phrase as "Share-Our-Wealth." They are groups of long hard words, to most of us meaningless. Too cumbersome for daily use (and human nature's daily food), they are shortened into still more colorless groups of initials, mere algebraic symbols.

FHA, for instance, has failed to stir a nation of home-owners. Federal Housing Administration—what a formidable group of words! Does anyone know what they mean? And yet behind them lies one of the fairest prospects ever offered a home-loving people. A thousand heart-lifting stories might be spun from what FHA will do for us. It is the stuff that dreams are made of, the realization of hopes and desires, the things we have planned so long and earnestly to do some day—that sleeping porch, the guest bathroom, a flagged terrace under the spreading apple tree, an oil burner, air conditioning, more trees and shrubs, a garden walk, a play house—now made possible under this act, and the cost divided up into small monthly payments to be distributed over the years.

And not only can the old house be improved, enlarged, beautified, but you can build a new one on the same terms. Whole-hearted acceptance would have distributed billions of dollars among architects, landscape gar-



FHA Renovates the Home

deners, carpenters, masons, plumbers and painters, not to mention lumber yards and nurseries, and millions of houses would have been made more sightly and comfortable.

You would think the plan was made for this nation. Didn't we help to bring on the depression by buying cars, diamonds, speed boats and radios on the instalment plan? And now that we can buy new homes, or make old homes new by the same device, we do nothing. Why does FHA fail? Because FHA does not mean these things to the multitude. It has not penetrated to their emotions.

I had the curiosity to ask the local bank in a Connecticut village how many loans it had made under this act, and the answer was, not one. To most people FHA is just another of those measures. They wait to see if it will work, wholly unaware that it is now up to them to act.

Or consider CCC—like a date line from a Roman arch. Instead there is behind those classic initials an experiment in the salvage of natural resources of our country joined with salvage of human material that cries for more publicity—stories, human documents, adventure, drama. Why do we not hear more about them? Why do they not figure more largely in the news—news that has columns to spare for the vaporings of Longs, Coughlins and Townsends?

One-third of the youth of the land is engaged in an epic movement—more glorious than any military advance—living in the wilds, close to nature, among forests and mountains, working with basic elemental things, water, trees, earth, getting health, learning practical skills, acquiring better social habits, building character, the outdoor adventurous life that makes best sellers in books and movies. We hear nothing about it.

But how quickly the popular mind reacts to a bit of human, comprehensible news about any of the alphabetical measures! AAA got a lift when the embattled farmers descended on Washington, not to protest, but to render thanks. It would help public morale if these aspects should receive some of the publicity that is giving fantastic and spurious measures such a boost.

In one of the four ponderous volumes of Pareto's treatise, *The Mind and Society*, which I have not read—I got the quotation from one of the reviews—it says: "Like Chinese mandarins, European intellectuals are the worst of rulers; and the fact that European intellectuals have played a less important rôle than mandarins in government is one of the numerous reasons why the fate of the peoples of Europe has been different from that of the Chinese."

This theory seems even more true

in a democracy. It is difficult to give the people any more government than they can understand, that is, than can be sold to them by popularizing it, making it human, interesting, exciting, related to their lives in some way.

We have the most potent engines of publicity. The newspaper and the radio between them reach even the illiterate. Noxious schemes that would soon perish if confined to a small area gain widespread adherence by publicity. The press has built up Huey Long, as it has built up Coughlin and Townsend, not intentionally, and generally in a spirit of derision if not disapproval.

The test of news is its interest to the great mass of readers. The press is but following its own established pattern, but nevertheless the ideas are disseminated, they reach and influence every one in the country of the mental calibre to accept them. As long as people want to read about Huey Long and his horseplay makes news, he will be a headliner and get the publicity which today is equivalent to fame, as do the other two prophets who are bracketed with him.

What is there to offset them? Is there not enough of the human, newsy, dramatic quality in legitimate projects for recovery to meet this propaganda on its own ground? Very little arithmetic is needed to prove that the schemes are economically impossible, even if they were workable, but the public is not using arithmetic. It is following the only leaders who seem able to speak its language.

The reasons for which people buy advertised goods will not always bear analysis. Apparently a motor car must have sex appeal; so it is depicted swarming with shapely damsels in the smartest of scanty bathing suits. It is not enough that an electric refrigerator should preserve food; no, it makes you important, gives you social standing. A cigarette is more than a smoke; it breaks the social ice, stays the faltering steps of budding romance, and puts timbre into the voice of the popular radio broadcaster. The strongest argument seems to be that a product is used or endorsed by social or movie or athletic stars, not because they are better judges than you or I, but because they are better known, and we long to emulate them. If goods were sold by facts and logic, the Consumers Research Bureau would be bigger than Standard Oil.

Assuming that many of the measures advanced to aid the slow steps of recovery are sound—which I believe—what they need most, apparently, is humanizing, translation into the language in which the public thinks and feels, bringing out some aspect which has the quality of infecting the public mind with excitement, which makes news, and which—sometimes without altering a single fact—creates a state of mind that transforms inertia into energy. Inertia, that is what we have most to fear, the tendency of a body to continue in the state in which it is.

I am irresistibly reminded of a story in one of my school readers:

Carl and Fritz are at work on a narrow scaffolding, hung precariously sixty feet above the stone floor, engaged in painting a fresco on the vaulting of the church. Carl, lost in admiration of his own skill in giving just the proper beatification to the face of an angel, forgets where he is and steps back to get a better view of his work.

Fritz discovers him with his foot poised over the abyss just about to take the fatal step. There is no time to expostulate. With rare presence of mind Fritz hurls his paint brush square in the face of the simpering

cherub. "That for your old angel," he shouts.

With a cry of protest and rage Carl springs forward—and is saved, saved by the only device that could penetrate his mind at the time, an illogical method with a logical result.

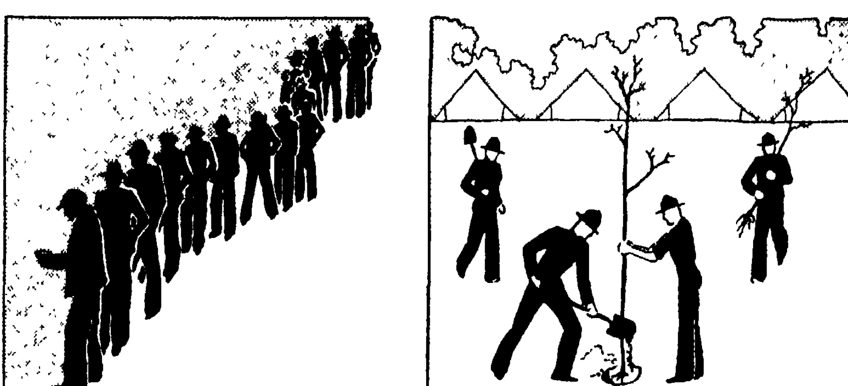
What this country needs just now is some one to hurl a paint brush in the face of its angel, some phase or phrase that will hit it in its emotions, the springs of its action, something that will organize public opinion and marshal it into such a whole-hearted drive toward recovery as that which sent us into the World War.

As yet no legitimate step toward recovery has been acclaimed with the spontaneous and continuing enthusiasm which has met the spurious schemes of Long, Coughlin and Townsend. The herb doctor with his infallible Indian remedy, his gasoline flares and vaudeville tricks, catches the crowd, which will not listen to the scientific facts of medicine.

To my mind the greatest single obstacle in the way of complete recovery is the army of the unemployed—not because it is unemployed, nor because it is a drag on the public funds, but because of the sinister education it has received which will take years to eradicate.

While it is true that many self-respecting men and women have been forced on the dole, it is equally true that the unemployed include all the marginal fringe of unwilling workers who even in a time of prosperity are a short remove from idleness. This group now finds itself with a definite status, supported by public opinion, with no apparent distinction between the industrious and the chronically idle, which is bad for the morale of the real workers, who are showing more and more reluctance to accept any work which does not meet with their exacting conditions.

There was a significant example of this in New York last Winter. After the one big snowfall, the unemployed to the number of fifty thousand were set to work at good wages cleaning the streets. In gangs of twenty they were scattered about, without conscience or foreman to keep them busy, and they simply shirked until quitting time, demonstrating the paradox that men can be employed and idle at the same time, for no two men in any one gang seemed to work simultaneously. One man would push with his shovel a handful of snow across the street, while the others looked on. Then he rested, and another pushed his small shovelful. It would have been ludi-



CCC Takes Men From the Breadline

crous if it were not so disturbing.

This, it is to be feared, is the disposition and temper of a large majority of the so-called unemployed. If there were more ambition, more real desire to work, a better performance when work is offered, a less critical attitude, more would be working, regaining self-respect, inspiring others, contributing to speed the slow return of recovery.

There have been other, smaller but equally disturbing, instances of this lack of the old spirit which met and subdued pioneer conditions. More than one young man, chafing and impatient, has written and published an advertisement asking for work in terms so courageous, so uncritical, so willing to accept anything as a substitute for idleness that the response was large. After selecting his own job, each of these determined young men turned the remainder of the offers over to relief workers. Many of the jobs were fair opportunities at any time, but the relief workers reported that none of their charges would look at them.

It was just as well. They could not have qualified, anyhow. It was the spirit of the original applicants, a spirit that showed in the advertisement, that interested prospective employers and brought replies, and it is that spirit which is needed as an antidote for the paralysis of initiative which is creeping over us.

That is why I find the Civilian Conservation Corps inspiring. These young men are learning the deeper satisfactions of labor, without which no life can be kept sweet and wholesome. They feel that what they do is constructive, a contribution to the wealth of the nation. They are an antidote for the education in idleness which is undermining the character of a large portion of the nation's rank and file, and character is our most precious national resource.

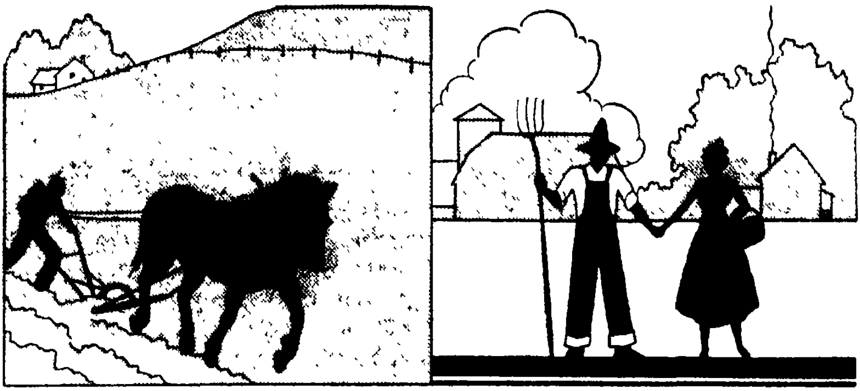
The old stigma on idleness must be re-established, that stigma which has given this country its development, until a rising offer of work may meet with an eager acceptance at least. It is a serious thing to teach millions to be content and complacent in idleness; it is hard to get them back again.

There is in this country enough potential energy to change economic conditions if it could be aroused, if it could be infected in some way with the virus of belief and confidence, made to forget or ignore conditions, and hurl itself en masse into the job of making a living. It has already been done in various spots and by different methods. There are oases of prosperity right now where local conditions afford a certain amount of isolation from the economic stream.

It was done on a large scale in Chicago two years ago, an example so inspiring and successful I am surprised it did not of itself start the wheels turning everywhere. The men who organized the Century of Progress exhibition went ahead as though no depression existed and accomplished what had not before been done in normal times, a two-year showing which paid all expenses. Such is the practical effect of sublime faith. It conquered economic obstacles that have stalled the country for five years.

If it were possible to affect a whole country with such faith, to make each man and woman feel as the Chicago promoters felt, the halting steps by which recovery is returning could be speeded up into a quickstep.

Meanwhile here are millions of man power idle, being fed at public expense, and millions lacking the things these men might be making. Recovery must fight not only economic conditions but a public inertia. If the latter



AAA Brings Prosperity to the Farmer

could be whipped, the former would solve itself.

This nation was established on what might be called the gospel of work. To the Bible-steeped Puritans there was divine authority for it, but it was something more practical than that. Up to a short time ago we were a pioneer people. It was work, plus initiative, adaptability, readiness to do whatever job had to be done, that transformed 3,000,000 square miles of forest and virgin prairie into an ordered, organized nation, most of it in less than a hundred years, a feat without parallel in history.

Many of us have the blood of those pioneers in our veins. We now face a new frontier. We need some of the old pioneer spirit. The rewards that spurred the empire builders of the past were great, but not so great as those which lie before us, and which we may attain if we but tackle this new problem of settling the country with willingness and energy.

We know now what this country can be, what it means to be prosperous. The work of supplying the needs and desires of 130,000,000 people, developing national resources, utilizing what we have learned about a better economic system, is susceptible of creating present wealth beyond calculation.

But that can only come by the will of the individual. No plan or measure will be successful without the wholehearted acceptance of the whole people. It is the spirit that is lacking; all the other ingredients are here. Prosperity is created by the rhythmic earning and spending of the entire country. Before the country can return to work, it must have the will to work. The will to work has been broken down by the dangerous but necessary expedient of large-scale relief. What was at first regarded as a temporary emergency has developed into a permanent status, accepted with complacency by the beneficiaries.

There should be more emphasis on work as such, more scorn for those who will not work when work is offered, the creation of a new state of mind, in which the motto of Chicago, "I Will," becomes the motto of the nation; perhaps a return to the homely wisdom of the copybook maxims, the moral of the idle and the industrious apprentices, the philosophy of "Poor Richard" on which some of us were brought up, "Where there's a will, there's a way." It is the will that is lacking, not the way.

Britain's Baldwin

By HAROLD J. LASKI

MR. BALDWIN entered the House of Commons in 1908 and for the first ten years of his membership it is the literal fact that he was hardly known even to his own party. The son of a wealthy business man, educated at Harrow and Cambridge, he entered his father's business, as he succeeded him in the House, almost as a man succeeds to a peerage. He did nothing notable in those years save develop a personal attachment to Mr. Bonar Law. Through the latter, he became Financial Secretary to the Treasury in 1917; and, when normal Cabinet government was restored in 1919, he became, again through the influence of Mr. Bonar Law, President of the Board of Trade with a seat in the Cabinet. Yet until the break-up of the Lloyd George Coalition in 1922 no one would even have suspected him of a great political future.

He made his reputation on a single day by a single speech. When in October, 1922, the Tory party, at the instigation of Mr. Bonar Law, determined to leave the Coalition government, it was Mr. Baldwin's utterance that turned the tide of opinion. That speech made him Chancellor of the Exchequer. Less than a year later, Mr. Bonar Law retired from politics to die; and the accident that his only possible rival, Lord Curzon, was in the House of Lords made Mr. Baldwin Prime Minister. Thenceforward he has grown into a special place in the national life. His leadership of his party, attacked again and again, has become more firmly rooted than that of any predecessor since the Marquis of Salisbury a generation and a half ago. And he has held the leadership in such a fashion that he has retained the respect of his opponents even while he has consolidated the affection of his friends.

This is essentially a personal triumph; for few people would claim that his record as a Minister is a remarkable one. As Chancellor of the Exchequer, his one important decision was the Anglo-American debt settlement, in which most Englishmen think he was hopelessly outmanoeuvred in negotiation. His first period of office as Prime Minister was distinguished only by a reckless dissolution which resulted in the Labor government of 1924. His second (1925-29) was marked by the return to the gold standard at pre-war parity, the outbreak of the general strike of 1926, and the first legislation hostile to trade unions (the Trade Union Law Amendment Act of 1927) which had been passed in over a century of British history. When, in the crisis of 1931, Mr. MacDonald formed the National government, he became Lord President of the Council and the effective partner in the enterprise. He has played his rôle with astonishing skill. Mr. MacDonald's name has been utilized to the full limit of its capacity. The National label has been used to get certain measures like the tariff

*Professor of Political Science in the University of London, Mr Laski has also been a lecturer at McGill, Harvard, Yale and Amherst, and is the author of a number of works on political subjects.

and the India Bill passed which could hardly have gone through without a fairly wide basis of party consent.

Now that Mr. MacDonald's reputation has ceased to count with the main body of politically minded electors, Mr. Baldwin assumes his place as Prime Minister once more. He will be able to appeal to the electorate in the next weeks or months with no real opponents except the Labor party; for the Liberals are hopelessly divided, the MacDonaldites cannot hope to return to the Socialist fold, and there is no real subject of division (except the spoils of office) within the Tory ranks. Effectively, Mr. Baldwin has so used the four years of National government as to make it essential for all to vote for him who do not desire a strong Socialist party in the House of Commons, still less a Socialistic government.

What is Mr. Baldwin's secret? He is a good speaker, with a beautiful voice and an occasional happy turn of phrase. But he is not a great orator in the sense of being able to dominate an audience as Mr. Asquith dominated the House of Commons and Mr. Lloyd George can dominate a vast audience anywhere. But he can do two things beyond the capacity of either. He can, where the supreme occasion calls for it, make the kind of speech his hearers will not easily forget. That was the kind of speech he made when he broke the Coalition of 1922. It was the kind of speech he made a decade ago when some of his more extreme followers wanted to make a frontal attack on Labor. It was the kind of speech he made five years ago when Lords Rothermere and Beaverbrook were using their press to drive him from his leadership; after that speech they are pretty certain, unless he makes a supreme blunder, never to attack him frontally again. It was the kind of speech, lastly, he made when, two years ago, he protested against the use of the airweapon to bomb civilian populations.

But his power of speech is not limited to the great occasion. He can, though least effectively on the radio, give the impression of directly thinking aloud the thoughts of those he addresses. He speaks normally with that great art which enables an audience to recognize itself in him. He satisfies them, he evokes their confidence, because he says coherently what they are striving stumblingly to say to themselves. His mind travels with their mind. His hopes and fears and ambitions are palpable, ordinary, direct, like theirs. He utters the great commonplaces resoundingly. In what he says the average man recognizes himself at his best.

Skill of this kind is more rare than we like to admit. But it is not the end of Mr. Baldwin's ability. He has constructed a stereotype of himself for the multitude in which there is exactly that dear familiarity the Englishman likes. There is nothing superficially remote or extraordinary about Mr. Baldwin. With his pipe, his round, jolly face, his air of easy bonhomie, his liking for "sound" books, his hatred of intellectual pretension, his real zest for the countryside, his apparent and insistent simplicity, he seems just like one's neighbor who runs to catch the 9:15 at the suburban station every morning. Every one feels that with Mr. Baldwin in power, a man one knows is in power. Every one feels that he is in power less because he wants to be there than because he feels the service of the State to be a moral obligation. No one has ever thought of him as a careerist, even as quite a professional politician. No one has ever questioned his simplicity or his sincerity. He always appears for

the right, because at bottom he really is forthright. He is never, like Mr. MacDonald, remote or unsympathetic. He is a man whom every one feels he knows well. Yet there are few who stop to consider that a man whom everybody feels he knows well has never been Prime Minister of England.

And Mr. Baldwin is, in the best sense of the word, an English gentleman. He plays the game fairly and fully as he knows the rules of the game. He is fundamentally loyal to his known loyalties, conscious and unconscious. He has deep affections and comparatively few hatreds. He dislikes the poseur, the professional expert, the Tadpoles and Tapers of political life. He cares deeply for certain ultimate and intimate things that appeal deeply to Englishmen—a good novel, the pattern of English rural life, the central tradition of English poetry, the great exploit greatly achieved. He never wears his heart on his sleeve; yet there is a profound vein of sentimentality in him. He is fundamentally a religious man without ever emphasizing his religious principles. He hates cruelty to the individual. He never insists upon his position. He loathes bombast and rhetoric; he is never quite at ease with the foreigner. Behind the appearance of directness and simplicity, he is shrewd, decisive, at his best in a moment of crisis. He never tells himself directly at what end he is aiming; he enjoys the hunt not less than the kill. He has the Englishman's genius for appearing an amateur in a game in which, in fact, he is a superb professional. At bottom a really lazy man, he is capable, at the proper time, of immense and sustained energy. He hates undue interference with his fellows. He has moments of surprisingly imaginative insight. He is always capable of self-restraint; his anger is emphatic and loosed by a deliberate effort of will. He knows how to gain friends, whether among subordinates or colleagues. He is capable of infinite tenderness; and he has moments of really supreme generosity.

Most Englishmen, one suspects, would like to be the kind of man Mr. Baldwin is; and his hold upon his fellow-countrymen is deservedly built upon a mutual trust founded upon that instinctive relationship that lies deeper than those conscious purposes which have their roots in the mind.

Mr. Baldwin's conservatism is the product of his character; and its intellectual affiliations are unmistakable. It is a liberal conservatism. There is nothing in it of that rigid and unflexible diehard quality which distinguishes the outlook of the new Lord Chancellor, Viscount Hailsham. He is, of course, profoundly anti-Socialist; and there is written into the whole fabric of his thought that almost unconscious faith in the historic mission of Great Britain which is the special prerogative of his party. At its best, it is the desire to do the decent thing for its own sake; but there can always come into it that more strident note which takes refuge in that most pathetic of all illusions where bigness as such as mistaken for grandeur.

Mr. Baldwin's ideas, of course, are inescapably linked to the environmental tradition of which he is a part. The son of a wealthy manufacturer, the product of Harrow and Cambridge, there is nothing of the innovator about him. If he set out a considered body of political principles, the result would look rather like an amalgam of Burke and Disraeli. He has a "disposition to preserve and an ability to improve" as his test of statesmanship. He is eager "to venerate where he is unable presently to comprehend." At the back of phenomena he sees the workings

of an inscrutable Providence somehow ordering things for ultimate good. He dislikes the scrutiny of foundations. He is willing to make concessions. He sees every reason why the statesman should regard it as his interest to make his people happy. He believes profoundly in the constitutional system Great Britain has established. He would do nothing willingly to jeopardize the inheritance it represents.

But, like the Burke whom he admires, he sees no reason to question the system. So far as ultimates are concerned, he has made his bargain with fate. The system makes Britain great; no unhallowed hands ought to be laid upon its inner citadel. The system will continue to give greatness to Britain so long as men observe its postulates. That is the root of his liberal impulses. He thinks, as he acts, like a gentleman, and he has a profound sense of pity. He wants the rules of the game, therefore, to be observed. He wants them so to be observed that the underdog extracts from their operation the largest possible life. He has learned from Disraeli that slums and low wages are evil things, that trade unions, in their proper sphere, are entirely legitimate. He has the Tory Democrat's conviction that the utmost possible must be done for the masses. He is made angry by the patent injustices that he sees. He rarely wants to fight for prestige when he thinks that compromise can avoid conflict. Reasonableness, moderation, a quiet life, the improvement that pacifies the disinherited without disturbing unduly the established expectations of the fortunate, these are the canons of his political behavior. He always wants resolutely to do the right thing as he sees what is the right thing to do.

But what he has never seen is the degree to which the operation of the rules of the game necessarily weights its result to the advantage of one set of the players. He has little sense of the degree to which liberty, for example, in a society like our own, is a pretty aristocratic ideal. He cannot understand the type of mind which is logically dissatisfied with the basis of the system and would wish to rebuild it upon a new foundation. For he has no great confidence in logic in any case. He thinks it better to let sleeping dogs lie than to awaken them. The system as it is, he thinks, works pretty well; it works constantly better than in the past. Men are much more alive to its defects, far more eager to remedy them than in the past. If we can only discuss differences coolly and reasonably, they are pretty certain to disappear in an effective accommodation.

If, in the light of this, he were asked to explain Hitlerite Germany or Fascist Italy, his answer would be a reference to the national character of the British. They are incapable, he would aver, of that type of excess. So it is that he cannot approach the analysis of social problems as, for example, a Marxist would approach them because he is literally incapable of understanding how a man can be a Marxist. He can no more grasp the idea of the class war than he can grasp the fact that there are still benighted business men in England. He thinks of the great capitalist as a trustee for the public. That it is possible to deny the premises of a society in which a man can become a great capitalist is to him unthinkable.

Mr. Baldwin has never seen what is implied in a society the main engine of which is the motive of private profit. He thinks of its evils as excrescences to be removed by the effort of goodwill and intelligence. We have done so much that it does not occur to him

that we may not always go on doing so much. Progress, toleration, material advance, these are not, for him, things secured and limited by the result of a specific parallelogram of social forces, but things one attains by willing they should be attained. It does not occur to him that there are times in history when a class in possession of power may judge the price of their attainment to be too high.

He knows, of course, that things like crises and war afflict humanity. He would not admit that they arise from the social system in which we are involved. He hates war himself; he could not conceive himself as deliberately willing war. But he is unable to realize that his attitude to specific issues may make him hardly less an instrument through which war may come than if he were a conscious agent in its coming. All the ends he wills, whether in the domestic or the international field, are noble ends. Yet he is so much the prisoner of his environment that he can easily place outside the field of his consideration the very ideas and methods by which alone his ends may be attained.

The inference a critic would draw is that, for all effective purposes, Mr. Baldwin is a man of the pre-war world intellectually, even though many of his emotions share the hopes of that new epoch which dawned in 1914. It was the post-war Baldwin who insisted that England's frontier is on the Rhine; but it was the pre-war Baldwin who has steadily blocked the full utilization of the League of Nations whenever he has been in office. It was the post-war Baldwin who stoutly fought the effort of his followers to make the general strike of 1926 the basis of a widespread attack upon the very existence of trade unions; but it was the pre-war Baldwin who, by the tariff policy of 1931 and the Ottawa resolutions of 1932, did so much to foment that economic nationalism of which the world is slowly dying. It was the post-war Baldwin who gave Anthony Eden his chance in the last two years of the National government; but it was the pre-war Baldwin who, when he could have made Mr. Eden Foreign Secretary, sacrificed youth to the traditional criteria of English politics and made in Sir Samuel Hoare one of those "typical" appointments which the historian will regard as a supreme missed opportunity.

Mr. Baldwin would explain criticisms of himself by saying that he is not a clever man, and that he owes his position much more to luck than anything else. Neither explanation is adequate. Mr. Baldwin's shrewdness has been displayed on every occasion where there was need of it. Chance may have presented him with an opportunity, but few men of his time have shown the same ability and force of character in taking advantage of it. Had he merely been an ordinary man he would not have remained leader of his party for a longer period than Mr. Balfour, especially in the face of such opposition and intrigue as he has encountered. The fact is that his integrity and his ability won him instant recognition when he first came to high place; and the impact those qualities in him rightly made has never been lost since the nation first saw in him its outstanding leader of the post-war period.

The complaint one is entitled to make against Mr. Baldwin has a different explanation. It is the complaint that, largely through indolence, he does not fully and persistently use the great gifts he has. It seems to require a crisis to provoke him into thought and decision. In the intervals, he lets his imagination lie fallow, is content

to occupy himself with the daily round of necessary effort without ever ascending beyond it to examine the direction in which he is traveling. It is indolence that persuades him too often to be content with second-rate associates; for the devotion of familiarity is too often only a way of avoiding the necessity of making a difficult decision.

Typical of this has been his appointment of Mr. Malcolm MacDonald to the Colonial Office. He has consoled Mr. Ramsay MacDonald's wounded feelings at enforced retirement by the elevation of a young man whose only claim to office is the fact that he is his father's son. No doubt the personal pressure was strong; but Mr. Baldwin knows that the National government is today only a nominal label, and that Mr. Malcolm MacDonald has no serious political future. There are many young Conservatives who need the training of office because they are destined to responsible leadership in the future. Yet to avoid a painful refusal Mr. Baldwin preferred a choice which no student of politics would seriously defend. It is a typical action; and it is born of a refusal to examine the premises of his thinking which is noted in his character. A statesman is not entitled to be personally generous at the expense of the nation.

Yet, whatever the criticisms that may be made of Mr. Baldwin, he remains one of the most attractive figures in British national life. Integrity, devotion, high purposes, directness, all these he has in abundance. He may lack the subtlety of Mr. Balfour; he has certainly none of Mr. Joseph Chamberlain's ruthless determination; he is less lucid than Mr. Asquith; he has little of Mr. Lloyd George's genius for evangelism. He has yet made a profounder impression on his fellow-citizens than any of these. Even his Socialist opponents give him an affectionate respect they reserve for some three or four only of their own leaders. They can trust him while he leads his party to respect to the limit the principles of constitutionalism. They know that, all in all, there is no more stolid bulwark than he against those Fascist tendencies which might easily, under another Prime Minister, sweep over the Tory party; there is a genuine fund of democratic faith in Mr. Baldwin. He would almost certainly resign his office rather than surrender this faith.

He is not, no doubt, an exciting and romantic leader in the sense of an exotic leader like Disraeli. He does not raise, like Mr. MacDonald, the baffling question of how he ever came to be leader at all. He did not mark himself out, like Mr. Asquith, as obviously first among his colleagues by inescapable destiny. He does not rule by imposing himself; it would perhaps, indeed, be better if he imposed himself more often. When one seeks to pin him down to a category one thinks of a character in his own favorite seventeenth century—the great Lord Halifax. When the latter wrote *The Character of a Trimmer* he limned Mr. Baldwin to the life. There, too, are the insistent moderation, the hatred of extremes, the zeal for the middle way. Reverence for the past, compromise for the present, an optimistic faith for the future—these are his standards of judgment. And were he given to personal revelation he would doubtless, like the Trimmer, say of himself that "he thinketh himself in the right, grounding his Opinion upon that truth which equally hateth to be under the Oppressions of wrangling Sophistry on the one hand, or the short dictates of mistaken Authority on the other."

From the Great Lakes to the Sea

By Ralph G. Sucher*

The question of the Great Lakes-St. Lawrence seaway and power project has reached a decisive stage. President Roosevelt and Prime Minister Bennett are firmly committed to it under the treaty of July 18, 1932. Though minor changes in the treaty may grow out of the recent diplomatic conversations between Washington and Ottawa, the crux of the project will still concern the building of power and navigation works on a grand scale at the International Rapids, a forty-eight-mile stretch of the St. Lawrence River which today blocks the passage of ocean vessels into the mid-continent and bottles up the commerce of the Great Lakes.

No other ship channel in the world equals the Great Lakes waterway in volume of traffic. In 1929, the peak year of world trade, 110,000,000 tons of cargo passed through the connecting channels of Lakes Huron and Erie at Detroit as compared with a tonnage of 34,000,000 through the Suez Canal and 30,000,000 through the Panama Canal. In the decade before the depression American cities on the lakes handled more commerce than our Gulf and Pacific harbors combined and Duluth-Superior ranked second only to the port of New York.

The Great Lakes system has been a potent factor in the economic development of North America. Up the St. Lawrence, which the Indians called "the river that has no end," and through the chain of lakes the French explorers and colonists from the Old World found a highway into the interior. Scores of great cities which owed their early growth to cheap water transportation sprang up on the littoral of these inland seas. The vast movement of iron ore and coal on the lakes has enabled the United States, alone among industrial nations, to extend its steel manufactures a thousand miles from the seaboard.

The project covered by the pending treaty is a scheme to provide a twenty-seven-foot channel from the head of the lakes to the Atlantic Ocean. This would be accomplished by works confined to short sections of the rivers and the existing canals of the system, for the Great Lakes have plenty of natural depth for the largest ships that can be built. The development would change the face of the continent by creating a new sea coast for the United States 3,576 miles in length, upon which Chicago, Detroit, Cleveland, Milwaukee, Buffalo, Duluth-Superior and other lake cities would become seaports.

The existing Great Lakes waterway was not achieved by a single engineering stroke but is the result rather of piecemeal construction undertaken separately by the United States and Canada. No treaties were necessary to complete these strictly national projects, as they were almost wholly confined by each country to its own side of the boundary. Thus, the United States built locks and a canal to over-

*In 1933-34 Mr. Sucher took part as legal consultant in surveys of the Great Lakes-St. Lawrence project by State and Federal agencies, including the President's Inter-Departmental Board.

come the rock ledge between Lake Superior and Lake Huron, and later provided a deep channel between Lake Huron and Lake Erie with extensive works at Detroit. When Canada in 1932 completed the fourth Welland Canal on her own soil around Niagara Falls the last of the chain of lakes was opened to deep navigation from the west. A channel with a minimum depth of twenty-one feet now extends 1,200 miles from the head of the lakes to the International Rapids of the St. Lawrence River—more than half way to the sea.

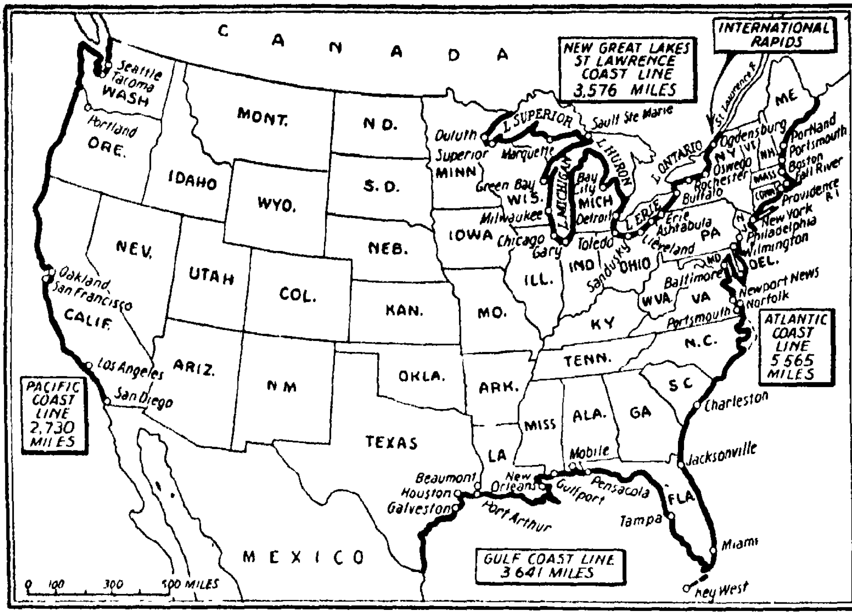
East of this barrier to deep-draft vessels, Canada has already provided a thirty-foot channel to Montreal, 1,000 miles up the St. Lawrence from the ocean. The navigation works at the Lachine and Soulanges rapids, which lie wholly in Canadian territory above Montreal, can be further improved to provide a twenty-seven-foot channel, without a treaty with the United States. This leaves the International Rapids, now passed by inadequate fourteen-foot canals on the Canadian side, as the last remaining barrier which must be overcome by joint action of the United States and Canada to complete the seaway.

Here the bed of the St. Lawrence drops eighty-five feet in a series of falls as the waters impounded in the natural reservoir of the Great Lakes rush toward the sea at a rate of 220,000 cubic feet a second. When this forty-eight-mile stretch of the river is developed, the two countries, by relatively minor improvements in the national sections, will share the use, toll-free, of 2,600 miles of channel for ocean vessels, navigable 97 per cent of the distance through open water, unrestricted by canals and locks. The harnessing of these rapids will simultaneously produce 2,200,000 horsepower of hydroelectric energy, to be divided equally between the Province of Ontario and the State of New York.

President Wilson began conversations in 1914 on plans which recognized the supreme importance of the rapids of the St. Lawrence as the key to developing the entire Great Lakes system. Franklin K. Lane, his Secretary of the Interior, foresaw in the project the creation of "an American Mediterranean Sea." Although the war interrupted negotiations, they were resumed and actively pushed by President Harding and later by President Coolidge, who recommended in his annual message of 1923 that "the bringing of ocean-going ships to the Great Lakes" and "the development of the great power and navigation project on the St. Lawrence River * * * should have the immediate consideration of Congress." During the Harding and Coolidge administrations the International Joint Commission set up in 1909 reported favorably on the project and the Joint Board of Engineers named by the two governments in 1924 perfected plans for actual construction.

President Hoover continued the negotiations for a treaty when he assumed office in 1929. In the same year Franklin D. Roosevelt became Governor of New York, and in a series of messages and speeches urged the public development of St. Lawrence power under State ownership and control. Upon his recommendation the New York Legislature created a State Power Authority in 1931 and directed it, in cooperation with Federal agencies, to develop the International Rapids Section for power and navigation.

The New York plan soon involved Governor Roosevelt and President Hoover in their first serious conflict. While the treaty was under negotia-



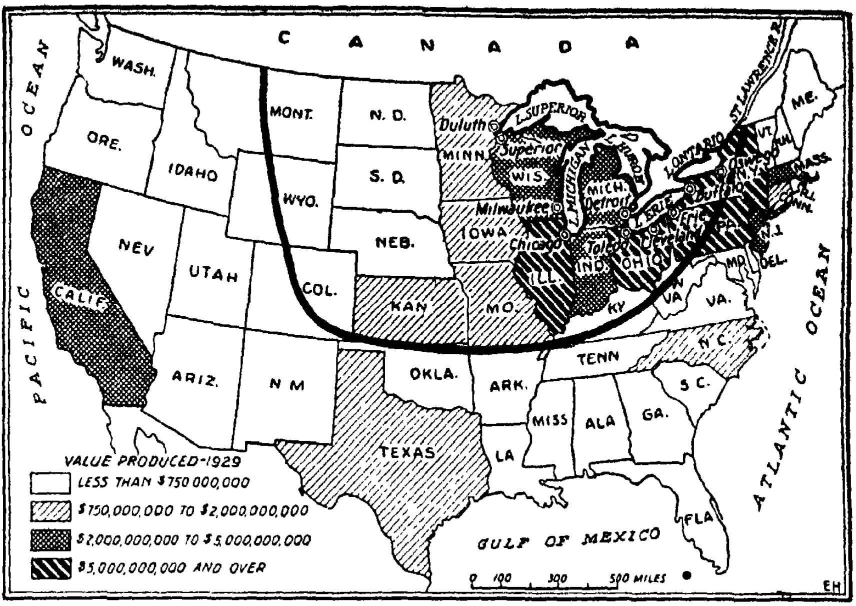
The heavy line on the map shows how the United States coast line will be increased by 3,576 miles when the St. Lawrence Seaway project is completed

tion with Canada, the Governor sent Frank P. Walsh, chairman of the Power Authority, to Washington to present the State's power program. Advancing the principle of States' rights to its extreme limits, Governor Roosevelt contended that "in international matters affecting the joint rights and interests of the United States Government and one or more of its sovereign States, an understanding should be reached between the Federal and State governments as a condition precedent to the conclusion of negotiations with a foreign government."

President Hoover, on the other hand, stood adamant as the champion of Federal supremacy in all matters related to the development. He insisted that the seaway was the major objective, that the production of power was incidental, and that the Federal Government had full authority to dispose of this by-product without regard to the sweeping declaration in the act of the New York Legislature that ownership of the power rested in the people of the State.

Before the treaty was signed, the Province of Ontario reached an agreement with the Dominion government turning over Canada's share of St. Lawrence power to the Hydro-Electric Commission of the Province. The administration at Washington declined to make a similar pact with the State of New York before the signing of the treaty.

The conflict between State and Federal plans remained unreconciled as Governor Roosevelt and President Hoover entered the 1932 campaign. When the Republican National Convention met to renominate Mr. Hoover, it adopted a platform omitting any reference to the power project. "The Republican party stands committed to the development of the Great Lakes-St. Lawrence seaway," the plank read.



The Great Lakes-St. Lawrence Seaway in relation to manufactures. The area within the heavy line will be served by the development

"Recognizing the inestimable benefits which will accrue to the nation from placing the ports of the Great Lakes on an ocean base, the party reaffirms allegiance to this great project and pledges its best efforts to secure its early completion."

In his first statement from Hyde Park as a Presidential nominee, Mr. Roosevelt emphasized the dual purpose of the development. "This great project involves two objectives of equal importance," he wired President Hoover on July 9, 1932, "and cannot in public justice accomplish one without the other: * * * cheap transportation by deep waterway for the agricultural and other products of the West; cheap elecricity from the State-owned and controlled resource. * * * It has already been too long delayed." Mr. Roosevelt's suggestion that the two candidates meet to discuss a State and Federal agreement on St. Lawrence power was rejected, and the breach grew wider as the campaign progressed. In the midst of the canvass Mr. Roosevelt came forward with a national program to provide a "yardstick" on rates by development of the St. Lawrence in the Northeast, Boulder Dam in the Southwest, Muscle Shoals in the Southeast and the Columbia River projects in the Far Northwest—a policy that drew spirited condemnation from his opponent.

President Hoover's plan to build a seaway financed largely by disposal of St. Lawrence power rights collapsed with his defeat. Early in 1933 the New York State Power Authority and the United States Corps of Engineers reached an agreement by which the Authority was given control over the American share of the power, effective upon payment of $89,726,000 for works in the International Rapids section. This reduced Federal expenditure of new funds for the seaway to $182,-726,000 under the treaty, which re-

quired $143,000,000 to be expended by Canada.

Within six weeks after his inauguration President Roosevelt obtained passage of a resolution by the House of Representatives confirming the Federal-State pact with a proviso declaring that St. Lawrence power rights should not "be sold, leased or otherwise alienated to any person or private corporation." Supplemented by the New York and Ontario agreements, the treaty thus closed the door to private development of St. Lawrence power and insured joint projects by public agencies upon ratification of the pact.

The St. Lawrence plan has been approved in the last two years in numerous reports from Federal boards and commissions. The President has taken the position that "from the broad national point of view * * * commerce and transportation will be greatly benefited" by the project and that "local fears of economic harm to special localities or to special interests are grossly exaggerated." Nevertheless, a sectional struggle has developed in the Senate in which the Middle West and Northwest have been arrayed against the Atlantic seaboard and the Gulf States.

When the treaty was submitted to the Senate in January, 1934, the vote was fourteen short of the two-thirds required for ratification. The majority favoring the project was drawn largely from the eighteen States defined by the Corps of Engineers as the seaway area, tributary to the lakes, which will benefit from transportation savings. This region, extending from the Alleghanies to the Rockies, has a population of 45,000,000, raises the bulk of the cereal crops and livestock of the United States and produces 38 per cent of its manufactures.

Fear that a direct outlet for the interior would adversely affect existing transportation and port facilities accounts for the resistance to the seaway from Atlantic and Gulf States. The Lower Mississippi Valley has headed the opposition in the Senate under the leadership of Senator Long of Louisiana. With characteristic vigor, he has assailed the project as a betrayal of American ports for the benefit of the British Empire.

A less fanciful criticism invoked against the treaty in the Mississippi Valley rests upon the claim that it would hamper the Lakes-to-the-Gulf barge canal by limiting the diversion of water at Chicago. The administration has met this objection by providing public works funds for new locks and reservoirs, designed by the Corps of Engineers to augment the low water flow of the Mississippi and Illinois Rivers so that they will not be dependent upon large withdrawals from Lake Michigan as a source of supply. Meanwhile, the Supreme Court of the United States has recently ordered Illinois to carry out the decree of the court, entered in 1930, reducing the diversion by 1939 to the treaty limit.

With only four Senators from the fifteen Atlantic Coast States recorded for the treaty at the last session, the power development on the St. Lawrence has been delayed by Eastern opposition to the seaway. Yet the New England States, New York and parts of Pennsylvania and New Jersey are within transmission distance of the project. This section has a population of 25,000,000—five times the density of the country as a whole—produces 28 per cent of the nation's manufactures, and pays one-third of the revenues collected annually in the United States for electric current.

Unlike the Boulder Dam, TVA and Columbia River developments, the St. Lawrence plan leaves a major power

resource under State control. The movement to carry out this program in the Northeast has had able and aggressive leadership from Frank P. Walsh, chairman of the New York State Power Authority since its creation in 1931. While Senators Wagner and Copeland of New York voted against the treaty last year, Governor Lehman and Mayor La Guardia have continued to work within the State for the power development.

After the defeat of the treaty in 1934, Governor Lehman obtained passage of a law to permit municipalities to distribute electric current. "This bill is needed," the Governor wrote in his message to the Legislature, "in connection with the public development of power on the St. Lawrence River * * * temporarily held up but bound to come because the production of cheap power is of such outstanding and vital interest to the people of the State." In plans recently submitted for a municipal plant in New York City, Mayor La Guardia has pointed to the St. Lawrence as a potential source of current in the metropolis.

The Federal Power Commission found in March, 1935, that a serious shortage would occur in the Northeast, with the return of normal industrial activity, unless the hydroelectric resources of the region were developed. This was in line with the report of the Inter-Departmental Board which made an economic survey in 1934 and recommended that the Great Lakes-St. Lawrence improvement be undertaken without delay. "The navigation project," the board reported, "is comparable in economic value and importance to the Panama Canal. It is combined with the development of the largest and cheapest block of hydroelectric power available in North America."

Can President Roosevelt dramatize this undertaking to gain for it all the popular support it demands? As a result of the NRA decision of the Supreme Court, a new emphasis is placed upon the more specific measures in the administration's program, and the St. Lawrence plan is conspicuous on the list of power and navigation projects to which the President is pledged. Nor can the Republicans escape the issue. Mr. Hoover, former Governor Lowden of Illinois and Senator Vandenberg of Michigan are among the leaders of the Republican revival who have ardently advocated the seaway. This issue cuts deeply into the historic strongholds of the party in Michigan, Ohio, Illinois and other lake States. Could Senator Long, who has consistently opposed the aspirations of the Northwest for a direct outlet to the sea, promote an effective third party movement, while the Farmer-Labor party of Minnesota and the newly organized Progressives of Wisconsin strongly support Mr. Roosevelt's St. Lawrence plan? These are a few of the political questions bound up with the project.

Joint action by the United States and Canada to round out the development of the longest international watercourse in the world would be in keeping with a century of cooperation between the two countries. Since ships of war were withdrawn from the Great Lakes in 1818, under the first successful disarmament agreement of modern times, mutual guarantees have extended equal navigation rights from the headwaters of the lakes to the mouth of the St. Lawrence. In the light of the improvements already made, it is inconceivable that the International Rapids will be permitted to stand indefinitely as a barrier to ocean ships—wasting more power than can be generated at Boulder Dam—in the greatest industrial area of the Western Hemisphere.

Behind the Chaco War

By RONALD STUART KAIN*

THE three years' conflict between Bolivia and Paraguay for possession of the Chaco Boreal, which was ended by the truce of June 12, 1935, is frequently described as "the most senseless war in history." European and North American critics declare that the Bolivian and Paraguayan ruling classes plunged their countries into a costly and sanguinary struggle over a stretch of relatively worthless swampland and jungle.

The truth is that there were substantial stakes involved, although war could have been avoided by compromise without injury to the vital interests of either country. Practically every peace formula submitted to the belligerents made specific provision for the discussion and settlement of the economic issues of the dispute. Under the terms of the truce agreement of June 12 the purposes of the peace conference called to meet in Buenos Aires include the "establishment of a system of transit, trade and navigation, having in view the geographical position of the parties" and the promotion of "facilities and agreements, of various kinds, destined to encourage the development of the belligerent countries." How substantial are the economic interests involved and what economic adjustments are required to insure a permanent solution of this century-old controversy?

The Chaco war was the product of two distinct but related clashes of economic interest between Bolivia and Paraguay. One was for the right to exploit the natural resources of the Chaco Boreal; the other for control of the Chaco Boreal as the key to the development of the far richer Oriente region of Bolivia proper. Bolivia was far more interested in the latter issue, although anxious to share as far as possible in the natural wealth of the Chaco. Paraguay entered the war primarily to defend the profitable interests already developed in the Chaco under her auspices and to extend the area under exploitation. At the same time, the prospect of levying tribute on the commerce of Eastern Bolivia offered Paraguay a strong secondary inducement to refuse Bolivia free access to the Atlantic by way of the great Paraguay-Paraná River system.

Let us for the moment disregard the strategic position of the Chaco Boreal in blocking Bolivia's access to the navigable Paraguay River and ask what is the present and potential value of that territory. It has an area of about 115,000 square miles, or nearly twice that of Paraguay proper, and is covered, especially in the northern part, by a high tropical forest—the Gran Selva—which is largely waterless in the dry season, difficult to traverse and for the most part unsuitable for settlement. The chief asset of the forest region is the valuable quebracho (ironwood) tree, which contains tannin in a highly concentrated form used in large quantities by the tanning industry. In the central

*An associate editor of *The New International Year Book*, the author of this article is now preparing a book on the history of the Chaco dispute.

and western zone the high forest is broken at frequent intervals by open grass lands, prairies interspersed with straggling clumps of palm trees and stretches of low, matted jungle. Extending along the banks of the Paraguay and lower Pilcomayo Rivers is a third zone, a low and marshy belt some 60 to 120 miles in width.

Agriculture and stock raising are successfully carried on in both the river zone and the central savannah region, and the latter especially is considered capable of much greater development. Besides the lack of transportation facilities, which can be overcome, the greatest obstacles to colonization are the scarcity of good drinking water and the periodic floods, which cover large areas throughout the rainy season. Pure water is obtainable in many places, however, by the boring of deep wells. Military necessity resulted in the opening of many such wells during the war, and it is believed that these underground supplies are large enough to permit fairly close settlement, as has proved feasible under similar conditions in the Argentine pampas. No petroleum or other minerals have been discovered in the Chaco Boreal, nor is it expected that any will be found, in view of geologists' reports.

Settlement of the Chaco Boreal has advanced furthest under Paraguayan auspices along the west bank of the Paraguay River. Villa Hayes, eighteen miles north of Asunción, is the centre of an agricultural population of about 10,000. At intervals along the river above Villa Hayes are smaller settlements, most of them established by foreign capitalists on large land concessions granted by the Paraguayan Government. These concerns are engaged primarily in the extraction of tannin from quebracho trees, but they also engage rather extensively in cattle raising and agriculture. The quebracho logs, hauled to the settlements on narrow-gauge railways, are for the most part ground in local mills, although some are exported.

The chief settlements of this type are Puerto Cooper, British-owned, with more than 7,000 inhabitants in 1933; Puerto Pinasco, the property of United States capitalists, with 2,300 employes, and Puerto Casado, belonging to the Casado family of Argentina, with about 3,000 inhabitants. Puerto Sastre (5,000 inhabitants), Puerto Guaraní (2,500), Puerto Mihanovich and various others are owned by Argentine firms, which explains Argentine sympathy for and unofficial support of Paraguay in the Chaco war. Further to the north are Fuerte Olimpo and Bahía Negra, both mainly agricultural and stock-raising centres. Bahía Negra and its vicinity has about 2,000 inhabitants.

The principal settlements in the interior under Paraguayan control are those established by the Mennonites in 1927 on lands about 125 miles west of Puerto Casado, with which they are connected by a narrow-gauge railway. Reinforced by new contingents of their coreligionists from Canada, Poland and the Soviet Union, the original colony of 300 grew to an estimated 6,000 in 1934. These settlements, which are reported to be fairly prosperous, produce an excellent grade of cotton, as well as wheat, tobacco, mandioca and various vegetables and fruits.

The civil population of that part of the Chaco Boreal under Paraguayan jurisdiction was estimated in 1930 at 50,000, exclusive of aboriginals. The laborers in the quebracho mills and on the ranches and farms of the Chaco were almost all Para-

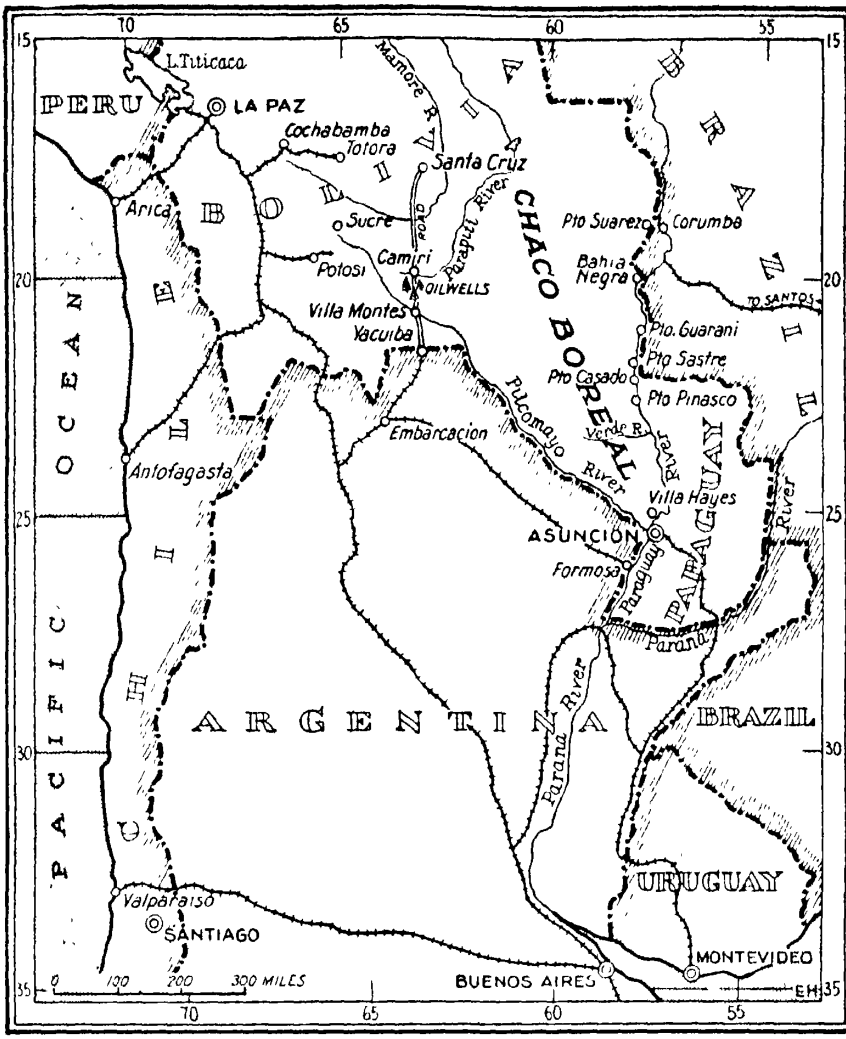
guayans. Cattle in this region in 1933 numbered about 2,000,000. For the five-year depression period ended in 1932 the Chaco's annual production of quebracho extract averaged 45,300 tons, valued at about $2,538,000. In 1932 the seven logging railways running west from ports on the river had a total of 302 miles of line, as against 359 miles in Paraguay proper. The capital of the principal foreign companies established in the Chaco in 1932 was reported by Paraguayan sources at about 17,000,000 gold pesos (nearly $10,000,000) and the total foreign and Paraguayan investments at from 150,000,000 to 200,000,000 gold pesos.

When the war began the Chaco provided about one-third of Paraguay's public revenues. It contained over one-third of all the country's livestock, nearly half the railway lines and its most important industrial plants (the quebracho mills). It supplied a fourth of the value of all exports, the principal item being the quebracho extract of the Chaco. The Paraguayan Government cited these figures to the League Assembly in September, 1934, to support its contention that the possession of the Chaco Boreal was "a question of life or death" for Paraguay. Unquestionably the revenues and dues accruing from foreign activities in the Chaco and the prospect of increasing income in the future served to increase Paraguay's determination not to yield its legal claims without a struggle.

On the other hand, the development of that part of the Chaco under Bolivian control at the outbreak of the war was negligible. The few small Bolivian civil settlements were confined almost exclusively to the western and northern fringes of the disputed territory. They clustered principally along the upper reaches of the Pilcomayo, in the valley of the Parapití, and along the rough cart road that links the important city of Santa Cruz de la Sierra in the Bolivian Oriente region with the Paraguay River at Puerto Suárez on the Caceres Lagoon opposite Corumba, Brazil. Although Puerto Suárez is Eastern Bolivia's chief outlet on the Paraguay River, it is almost worthless as a port, owing to the shallowness of the lagoon and the difficulties of the 450-mile trail to Santa Cruz. The hardships of this trip have been graphically described in Julian Duguid's *Green Hell.* South of the twentieth parallel the Bolivian occupation, extending eastward to about the sixtieth meridian (west of Greenwich), was almost exclusively military.

Lack of proper transportation has been the great obstacle to the development not only of the zone of Bolivian occupation in the Chaco Boreal but also of the far richer agricultural and mineral region of Eastern Bolivia proper. The valleys on the eastern slope of the Andes and the great plains in Santa Cruz Province, of which Santa Cruz de la Sierra is the capital and centre, are described as the most promising parts of Bolivia, eventually destined to replace the high, central plateau as the centre of population. Cattle thrive on the rich grass lands, and thousands of square miles of fertile prairie are available for cultivation. The foothills of the Andes also are rich in oil and many other minerals.

The most pressing need of the Oriente region is for cheap transportation of its products to the Andean plateau, where three-fourths of Bolivia's population is concentrated. The Altiplano offers a good market for the surplus farm produce, cattle, oil



The Chaco Boreal and its relations to Paraguay and Bolivia. Since the region's boundaries are still unsettled, they have not been indicated

and timber of Santa Cruz Province, as it is forced to import many of these things from abroad. But Santa Cruz is walled off from the Altiplano by the towering eastern chain of the Andean cordillera. A few years ago the 270-mile journey from Santa Cruz to Cochabamba, the nearest city of the plateau, required two weeks on mule back over a hazardous trail. That is why good steers sold in Santa Cruz before the Chaco War at $2 a head and the price of farm land was from 5 to 10 cents an acre.

To remedy this situation, which provoked a strong separatist feeling in Santa Cruz Province, the Bolivian Government in May, 1928, commenced to build the first section of a railway from Cochabamba to Santa Cruz. Work on this immensely difficult and expensive project, estimated to cost from $30,000,000 to $50,000,000, was soon suspended for lack of funds. In

1934 the Bolivian Congress authorized the construction of an automobile highway between the two cities, but its progress is likewise certain to be slow. Yet some improvements in the original trail are understood to have been made to facilitate the supply of the army during the war. Completion of the Cochabamba-Santa Cruz transport link should lessen the Oriente's need for external markets.

The requirement of the Oriente region for an outlet to the Atlantic is only less urgent. The logical solution is a railway or highway across the northern part of the Chaco Boreal from Santa Cruz to the Paraguay River at Bahía Negra, or Puerto Pacheco, as the Bolivians call it. In seeking an outlet to the Paraguay, the Bolivians founded Puerto Pacheco as early as 1885, only to be driven out three years later by the Paraguayans, who have since held control of the entire west bank of the river south of the twentieth parallel. As a port, Bahía Negra is infinitely preferable to Puerto Suárez. Besides affording a more direct route, it is accessible the year round to small ocean-going vessels of up to 1,000 tons.

On the assumption that all or a large part of the Chaco Boreal would be permanently Bolivian, the La Paz authorities in their negotiations with Paraguay held out for a port on the river south of the twenty-second parallel. An outlet much further south than Bahía Negra will be necessary if the final settlement gives Bolivia territory in the central or southern parts of the Chaco Boreal. But possession of Bahía Negra and its hinterland would, it is generally agreed, meet Bolivia's much more pressing need of an outlet for the Oriente region. Not until after Bolivia had been blocked by a Paraguayan gunboat at Bahía Negra did she, early in the present century, commence her military advance into the Southern Chaco by way of the valley of the Pilcomayo.

At present there are three routes into Santa Cruz Province from the Atlantic side, all of them difficult and even dangerous. The best is the rough road running north through the foothills of the Andes for 350 miles from the railhead at Yacuiba in Northern Argentina to Santa Cruz. The trail from Puerto Suárez and the water route from the Amazon via the Madeira and Mamoré Rivers repel all but the hardiest travelers.

Bolivia's financial weakness, combined with the uncertain status of the Chaco Boreal, has militated against efforts to interest foreign capitalists in providing adequate transportation facilities. For a time negotiations with neighboring governments appeared to offer more promise. A convention signed by the Bolivian and Argentine Governments on Nov. 16, 1923, provided for the extension of the North Central Railroad of Argentina from Embarcación to the city of Santa Cruz, with Argentina bearing the initial expense. The railway has since been extended to Yacuiba on the Bolivian frontier, but the construction of the Bolivian section seems to have been definitely abandoned. On Sept. 10, 1925, Bolivia and Brazil agreed to the construction of a railway 428 miles long connecting Santa Cruz with the Brazilian railway system at a point twenty-two miles north of Puerto Suárez. This scheme, estimated to cost $10,000,000, would provide direct rail communications from Santa Cruz to Sao Paulo and Rio de Janeiro. But nothing has been done to carry out this project, apparently because of inability to raise the necessary funds.

As compared with the proposed all-Bolivian route to the Paraguay River

across the Chaco Boreal, both these proposals would involve longer rail hauls and subject Bolivia's trade to foreign tariffs and other restrictions. Nevertheless, the failure of these negotiations strengthened the conviction of Bolivians that their country, and particularly the rich Oriente region, would remain permanently in a state of economic vassalage and strangulation unless they secured a port of their own on the Paraguay. The demand for such an outlet was rendered the more urgent by the loss of Bolivia's ports on the west coast in the War of the Pacific (1879-84) and by the settlement of the Tacna-Arica dispute between Chile and Peru in 1929. The allotment of the port of Arica to Bolivia, which had been proposed in 1926 by Secretary of State Kellogg, was refused by Chile and Peru.

The development of the Bolivian oil deposits adjoining the Chaco Boreal to the west of the sixty-third meridian introduced another complication into the Chaco dispute. The oil-bearing zone is about 100 miles wide and extends some 750 miles through the Andean foothills from the Argentine to the Peruvian frontiers. Concessions for its exploitation are held by nine different syndicates, most of them controlled by Bolivian interests. But the only important development work has been carried out by the Standard Oil Company of New Jersey in its concession of 860,000 acres, chiefly in the region between the Argentine border and the Parapití River. The concession provides for the delivery of 11 per cent of the output to the State as a royalty during normal times and for the delivery of the entire production at cost in case of war.

Commencing exploration work in 1923, the company spent several million dollars in boring a score or more of wells, of which some half dozen proved productive, and in building two small refineries, one of them at Camiri. In 1933, according to Walter C. Teagle, president of the company, the wells had a potential production of 3,300 barrels a day and an actual production averaging 307 barrels daily. Bolivia probably could not have conducted a war in the heart of the Chaco without these oil supplies, as the lack of water and forage prevented large-scale use of draft animals.

Since the market in Eastern Bolivia was inconsiderable and there was no means of access to the Altiplano, the Standard Oil Company tried to secure an outlet through Northern Argentina. The Argentine Government, having established a State petroleum enterprise in 1927, imposed a high tariff duty which made the shipment of Bolivian oil via the railway from Yacuiba prohibitive and refused to grant the company a concession to construct a pipeline across Argentine territory to the Paraná River. This and the world overproduction of oil led the company to cap most of its wells and restrict production to local needs. The possibility of an outlet by way of the Amazon never seems to have been seriously considered.

Despite Mr. Teagle's statement that his company "has no present or future plans or necessity for laying pipelines into or across the disputed territory," it is widely believed that the most practicable solution of the oil-marketing problem would be a pipeline across the Chaco Boreal to the Paraguay River. President Salamanca of Bolivia told the Congress at La Paz on Aug. 6, 1932, that this was "the natural and logical remedy." He also stressed the government's need for the revenues that would be forthcoming if full exploitation of its oil reserves was made possible.

The Paraguayans likewise anticipated the construction of a pipeline across the Chaco. They were confident that the flow of oil through territory under their control would be to the advantage of their country. The Bolivians resolved to avoid payment of taxes or tariffs on oil passing through territory which they considered their own. But a pipeline could not be constructed without Paraguay's consent, since she held the entire river bank. Nor could the Bolivian Government negotiate a settlement of the pipeline issue with Paraguay without tacitly admitting the latter's title to the disputed territory. Thus the Bolivian oil deposits offered both Bolivia and Paraguay an incentive to use armed force in support of their rival legal claims to the entire Chaco Boreal, and intensified an already grave and deep-rooted controversy. But to accuse the Standard Oil Company of direct responsibility for the Chaco War, as did Senator Huey Long in the United States Senate, betrays a basic ignorance of the complex character and long history of the dispute.

The primary requisite of a permanent solution of the Chaco dispute is the award to Bolivia of a port on the Paraguay River either at Bahia Negra or to the south of it. It is likewise essential that Paraguay retain most of the territory colonized under her auspices, and especially the so-called Hayes Award Zone between the Pilcomayo and the Verde Rivers. This area was awarded to Paraguay in an arbitral decision rendered by President Rutherford B. Hayes of the United States in 1878, Argentina being the other party to the dispute. From the economic standpoint, the disposition of the remainder of the Chaco is not vitally important to either country.

If the Buenos Aires conference is to succeed, it must not only award Bolivia a river port but also assist her financially to construct a connecting highway or railway, to complete the Cochabamba-Santa Cruz railway or highway, and to improve transportation between Santa Cruz and Yacuiba, Argentina,

As for Paraguay, once her title to the Hayes Zone and possibly adjacent areas has been recognized, her principal need will be for assistance in economic and financial rehabilitation. Although amazingly successful in the field, Paraguay appears to have suffered financially and economically much more than her larger and wealthier enemy in the Chaco War.

La Follette: Ten Years a Senator

By FRANCIS BROWN

WHEN President Roosevelt threw his taxation bombshell into the halls of Congress, few men could have been more pleased than Robert M. La Follette Jr., senior Senator from Wisconsin. For years he had been advocating higher income and inheritance assessments, and only last Summer, when announcing his candidacy for re-election, he had said: "Taxes must be levied in proportion to the ability to pay. * * * I am opposed to the continuation of tax-exempt securities." Now he heard his own words echoing in the President's startling manifesto.

At first blush it seemed almost as if the President's hand had been forced. Senator La Follette and his liberal colleagues had insisted steadily upon higher taxes; only last April La Follette told the nation that the Congressional Progressives would "make the best fight of which they are capable for drastic increases in the taxes levied upon wealth and income." That announcement followed repeated assertions, inside the Senate and out, that higher taxes were the only guarantee against uncontrolled inflation and for "more equitable distribution of wealth." When La Follette signed a round-robin demanding the passage of tax legislation during the present Congressional session, he seemed more than ever to be leading what his opponents branded as a "soak-the-rich" movement.

Almost exactly ten years ago La Follette, a young man whom the Eastern press called "an antiquated Progressive," announced his candidacy for the United States Senate. He was elected, and in December, 1925, took his seat with the distinction of being the youngest Senator since Henry Clay appeared at Washington in 1806. A nation which had but recently decided to "keep cool with Coolidge" had little interest in Progressives, antiquated or otherwise, and did not foresee that the youthful Senator would become a national figure. For some he is today one of the dangerous men of the country; for others he is the white hope of liberalism. Those on the extreme left see him as a potential Fascist.

As "Young Bob," resplendent in a well-fitting morning coat, striped trousers and wing collar, stepped forward to take the oath as Senator, observers whispered that he would be only a pale shadow of his famous father. He is here, they said, because Wisconsin saw no better way of honoring the departed than by sending the son and namesake to fill the seat left vacant by death. Few took the new Senator seriously and one commentator found it amusing to point out that "Robert M. La Follette, successor to his cyclonic father and ideal of the rough and shaggy Northwest where men are men, wears pearl-colored spats."

But there were some who felt differently. They knew that while La Follette might be young, he brought to the Senate far greater knowledge than did many members twice his thirty years. Much of his life had been passed within sight of the Capitol, for

he had attended the public schools of Washington, and after a period at the University of Wisconsin, had been constantly with his father. From 1919 until the elder La Follette's death, he was his father's official secretary. Great sympathy and understanding ever existed between the two; they worked together, traveled together. It was an education such as few boys obtain.

Thus it was that the younger man came to know politics and procedure at first hand. For a time he was clerk to the Senate Committee on Manufactures, of which his father was chairman. He acquired a thorough understanding of the important work done in committee, and because he was constantly in and out of the Senate Chamber, the conduct of Senate affairs held no mystery for him. All the tricks of debate, the secrets of parliamentary manoeuvres, were disclosed to him since what he did not learn from his own experience and observation, his battle-scarred father could teach him. There was more than this, of course. From his father, La Follette derived his belief in democracy and the concern for the common man which have been the mainsprings of his career.

It was at the Republican convention at Cleveland in 1924 that the public first became fully aware of "Young Bob's" existence. Though people observed that he had much of his father's exuberant vigor, they also noted that when he rose to speak "he fairly shouted out his words, while he dripped sweat."

The convention disappointed the La Follettes and other American liberals —Republican conventions always did —and that year they bolted. Despite a lifelong advocacy of boring from within, the elder La Follette cut loose from Republicanism and ran for the Presidency as an independent. On election day he received the largest vote ever given a minority candidate, but it was his last fight, for within a few months "Fighting Bob" was dead.

Since the elder La Follette had been read out of the Republican party for his apostasy of 1924, there was no reason to suppose that the party leaders wanted to see his son in his place. Wisconsin, it was believed, would do well to elect a Senator more amenable to party discipline. Yet "Young Bob's" availability was obvious, and after some weeks of apparent uncertainty he announced his candidacy. Victor Berger, the veteran Milwaukee Socialist, commented acidly that La Follette had not thrown his hat in the ring, he had thrown his father's.

The people of Wisconsin, however, were loyal to the La Follette tradition, and when in the Fall of 1925 they sent the young man to Washington they embarrassed the national Republican leadership. The new Senator had run for office on a platform which advocated measures that lacked the party imprimatur. Could the party receive with open arms a son who was no less a heretic than his late father? In the end, deciding to make the best of a bad job, the Republicans invited the Senator to the party caucus on the eve of the opening of Congress, and, though he did not appear, they assigned him to committees. This wooing got nowhere, for Robert M. La Follette Jr. quickly informed all whom it might concern that he was nobody's man.

Despite La Follette's wide acquaintance with public men and measures, he did not feel qualified to take an immediate part in the deliberations on Capitol Hill. His good judgment and common sense as well as his modesty told him that there was plenty of time. Nor did he care to risk com-

parison with his father. If he was to be a Senator, it must be in his own right.

La Follette, however, was more than a mere observer of Senate proceedings. Even during his first session he introduced various resolutions —for inquiries into the earnings of the Pennsylvania anthracite companies and into the Passaic textile strike, for an investigation of the "food trust" formed by the Ward Food Products Company and for a probe of the conduct of the Federal Trade Commission and the Department of Justice. The combination assembled by the Ward people he characterized as the logical outcome of the Coolidge policy "to let business have its way without check or hindrance." In these resolutions was the spirit of "antiquated Progressivism" rather than of the fresher liberalism; yet thus early in his Senatorship La Follette made clear that he stood with labor, the small business man and the consumer, against large corporate organizations.

Unlike some of his Western colleagues, La Follette showed keen interest in foreign affairs. A critic of most phases of American policy, he called marine rule in Nicaragua "unjustified and unconscionable," one more chapter in the history of "ruthless imperialism in Central America." Having traveled in Europe with his father and having visited the Soviet Union when the revolution was yet young, La Follette had at least a nodding acquaintance with the Old World. But he wished to have none of it. His opposition to American membership in the World Court, for instance, was developed in one of his first speeches. Subsequent international events gave him no reason to revise his attitude toward the World Court, and in 1935 he was still voting against American adherence.

La Follette's attitude on foreign affairs sufficed to set him apart from the followers of Calvin Coolidge, but he made his dislike for the dour New Englander and all his works still more apparent. It was not only the Senator's gadfly habit of advocating such prickly proposals as government operation of the plants at Muscle Shoals, or publicity for income-tax returns, or restriction of bank loans for speculation. It was his faculty for deliberate, outspoken opposition to Coolidge and Coolidgeism.

There was too scant courtesy, for instance, for the talk of Coolidge's third term. When Congress assembled in December, 1927—a few months after the "I do not choose to run" announcement—the Senator from Wisconsin fathered a highly embarrassing resolution which disapproved a Presidential third term and commended Coolidge for refusing to run again. Now it was generally believed that the President would accept another nomination, if sufficiently urged, and some of his supporters were ready to do the urging. Yet to oppose the La Follette resolution meant refusal to commend the party leader. The resolution carried.

For La Follette the Republican convention at Kansas City in 1928 was particularly important since it brought him into national prominence. The proceedings of the convention were cut and dried; the delegates were bored until out stepped Robert M. La Follette Jr. to present one of those minority platforms which for years had been regularly presented and just as regularly rejected. As he came forward the big spotlights shot down on him. His straight black hair tumbled over his face; he ran his fin-

gers through it to push it back. And as he did so the bored delegates sat up to listen to the Senator from Wisconsin.

"Of the thirty-five or more propositions which have been presented to each successive Republican convention since 1908, although they have often met with jeers and hisses in the convention, * * * I can say to you today that thirty-two have been written into the statute law of this country." The convention applauded, leaning forward to hear La Follette plead for justice to the farmer, public operation of power plants, conservation of natural resources and the St. Lawrence Waterway. They heard him denounce the use of armed forces abroad and a big navy, the use of injunctions against labor, the use of the nation's credit for stock market speculation and the reduction of income taxes.

As he finished, they cheered him and amid the applause some one shouted: "That's all right, Bob; we like you even if we are not with you." When it was all over, the New York *Telegram* remarked that "Hoover got the votes, La Follette the cheers."

In the ensuing campaign La Follette, who was up for re-election, failed to say a single good word for Herbert Hoover; yet Wisconsin gave the Senator a 400,000 plurality at the same time that it gave its electoral vote to California's favorite son. That Winter when La Follette returned to Washington he found his stride.

Throughout the distressful Hoover era La Follette experienced all the disappointments of a prophet in his own country. His colleagues liked and respected him. They recognized that few among them worked harder or were better prepared when making a speech. But he did not speak their language. They could share his enthusiasm for baseball, but they could not follow him when he urged measures that flew in the face of traditional practice and prejudice. Yet his criticism of the Hoover régime hit its mark time and again. Meanwhile, La Follette, more and more concerned with the problems of an industrial society, developed a national point of view and slowly abandoned the old-time liberalism for a more realistic analysis of modern capitalism.

Though he denounced the Hawley-Smoot tariff and sought to curb stock market speculation, it was as spokesman for the American unemployed that La Follette stepped forth after 1929. Breadlines shuffled in American cities; the administration did almost nothing. Wisconsin's Senator pleaded, denounced, invoked facts and figures, but he seemed only to be shouting up the wind. In the beginning President Hoover tried to restore prosperity by lowering the income-tax rates; he tried to shift the burden of relief to private and local agencies; he opposed public works schemes. But La Follette insisted that relief should have precedence over "consideration of the interests of wealthy income taxpayers," and he supported the view that Federal aid to the jobless was essential.

The condition of the unemployed touched La Follette. He chafed at the niggardly policy of the Hoover administration and regarded it as part and parcel of the big business attitude which ever permitted the exploitation of the masses. It was the same attitude that was responsible for the use of injunctions in labor disputes and for employer hostility to labor organization. These points and many others had been issues in his father's crusade for social justice, but the problem, La Follette recognized, was broader now, and he studied and thought about it

continually, whether in his office at Washington or at Maple Bluff Farm in Madison.

So the time came when he rose in the Senate to confess that "the philosophy of laissez-faire had ended in disaster." Continuing he said: "Still the richest country in the world, we have millions in want. Although many business leaders have continued to pay lip service to this policy of individual initiative * * * the ideas of an agricultural society have been definitely outmoded, and a new set-up of society is necessary in order to establish society on a prosperous basis." It was 1931, when such thoughts still had a certain amount of novelty.

La Follette believed he saw the situation without prejudice. Unless the depression were ended, rich and poor alike would suffer; the important thing was to get the machine functioning again. But, as he said on many occasions, "to turn the trend of the depression upward we must re-create purchasing-power"—particularly mass purchasing-power to support the system of mass production.

That explained his stand on relief, his criticism of the Reconstruction Finance Corporation, which aided business and finance rather than the masses, his bitter opposition to the sales tax, which besides being inequitable tends to restrict the purchasing-power so badly needed, and finally his advocacy of a large public works program. When La Follette proposed in the latter days of the Hoover administration that $5,500,000,000 be appropriated for public works, men thought him mad, but they might have done well to recall that measures which La Follette proposed had an uncanny way of surviving all ridicule or attack and finding their way to the statute book.

La Follette has been happier under the Roosevelt administration. Not only has he been on good terms with the President, but many of his proposals have been taken up and made law. He had not been alone, of course, in his insistence upon Federal unemployment relief and upon the need for a large-scale public works program, but his name had been most definitely associated with such measures. Now he sees much for which he battled in other years accepted, and is even more gratified that some of his own philosophy seems to animate the administration.

There have been disappointments, and sometimes La Follette must have wondered whether he could continue to go along with Roosevelt. The New Deal has backed and filled; it has hesitated; it has turned aside. Some of this, as La Follette knows, has been politically necessary, but often the uncertainty of administration policy nas been inexplicable. La Follette, moreover, would like more advanced measures than those approved by the White House, even though he will take half a loaf rather than none.

Exactly where La Follette stands on the more specific issues in American life he explained during his 1934 campaign. He wants a government-owned central bank, so that credit may be "available to all upon an equitable basis," public ownership of railroads, public development and operation of electric power "to provide this important necessity of life at reasonable cost to industrial and domestic users." He believes in government ownership and operation of munitions plants.

La Follette, a defender of labor and the farmer, has declared that "the right to life, liberty and the pursuit of happiness cannot survive in the modern world without the right to work. It is the duty of government

to guarantee to every home economic security and the enjoyment of the fruits of labor." To reach that goal he has advocated social insurance and public works. He has maintained that the industrial machine should be operated not primarily for profit but for use. Finally, as he has said many times, he believes that taxes must be so levied that the concentration of wealth which is "inimical to the perpetuity of democratic institutions" and which endangers economic stability will be prevented.

Such are the ideas that La Follette has set before Wisconsin farmers' picnics, veterans' conventions and political rallies, before his colleagues in the Senate and before the national radio audience. Where does this leave him?

The Senator has come a long way from the liberalism which sought to lop off abuses and merely regulate the system. He would attack abuses at their roots, for he has a far better understanding of modern economics than had his liberal predecessors. But he is no revolutionary. He would like to save capitalism, even though capitalists are discouragingly unwilling to cooperate with him. What worries him is that when his proposals are adopted, they are adopted so belatedly or half-heartedly that they have lost their effectiveness. Then stronger remedies—more radical, if you like—seem necessary. La Follette has therefore been forced steadily toward the left in his desire to restore order in our economic system and to bring justice to the masses.

But he is no doctrinaire; he is not dogmatic. He is neither radical nor conservative in the sense that he has a hidebound social philosophy to guide his every thought and action. He has no intention of chasing after strange gods. What he does intend is to study and understand all the facts in a given situation and then, with due regard for the national psychology, to propose measures to meet the problem, be it great or small.

La Follette can be classified neither as a Socialist nor as a Fascist. Perhaps instead he should be regarded as purely American, for in his approach to problems he is interested in solving those of today rather than those of tomorrow. The future will have to look out for itself. How far he is prepared to go is a question. Does his advocacy of a government-owned munitions industry, for example, mean that he would support government ownership of steel, rayon, chemical and other plants which can be quickly converted to war purposes? The question is important and La Follette's answer would give clearer indication of how "dangerous" a man he is.

A turning point for Senator La Follette may have been the formation last Summer of the Progressive party. That ended the peculiar status by which he had been nominally a Republican, but actually had been neither Republican nor Democrat. It also gave him the distinction of being the first Progressive Senator, placing him in a position of potential leadership.

La Follette at 40 has already had what for many men would be a full-blown career, but barring the unpredictable that career has only begun. What lies ahead? Will Rogers some years ago counseled his public: "Watch this young La Follette. You are going to have a lot of dealings with him in years to come." That bit of prophecy still seems sound.

Belgium Under a New Leader

By HENRI LAURENT*

BELGIUM plays a rôle in European political and economic affairs out of all proportion to her area and population. Thus, when the van Zeeland Cabinet came to power last March in the midst of an unprecedented banking crisis, all eyes were focused on the new government because of its revolutionary implications. Its search for economic recovery through devaluation has sent tremors through the remaining members of the embattled gold bloc, leading to the common prediction that France, Switzerland and the Netherlands must soon follow Belgium and abandon the gold standard.

The new government was preceded by a prolonged period of strain. During 1934 the Belgian currency withstood three assaults by speculators. That of October and November was particularly violent, for within those two months the National Bank of Belgium lost 2,000,000,000 francs of its gold reserve. But far more disquieting than this loss of gold, for the bank had ample stocks, was the absence of a corresponding drop in sight liabilities or in note circulation.

Gold was demanded by the private banks, since their position was shaky and they were unable to meet the withdrawals of depositors and the rediscounting of commercial paper, much of it low-grade, that was presented by industrial and commercial firms. When these private banks ran short of cash, they called upon the National Bank for help. If the central bank had refused to aid them they would have had to close their doors, with the result that the industrial and commercial enterprises dependent upon them would have collapsed. Unemployment, which was already serious, would then have grown to disastrous proportions. Indeed, the entire social structure might have been jeopardized.

Only by stressing this menace could the banks prevail upon the National Bank to come to their rescue. But thereafter the latter's hands were tied, for it could no longer thwart the schemes of speculators, as it had done previously, and as the French, Dutch and Swiss central banks have done since last March. It was this banking crisis that made the monetary crisis inevitable.

The responsibility must be borne by the Belgian private banks because of their excessive loans and commitments, their unsound investments and, above all, their wholesale extension of credit for new business in the face of deepening depression. From 1930—the first year of real depression in Belgium—to 1934, the number of corporations grew from 6,668 to 7,334, and their capital from 28,657,000,000 to 48,685,000,000 francs. In short, the banks encouraged the establishment of new enterprises even while the crisis was becoming more acute; they extended credit and tied up their resources, although production was falling and potential markets were shrinking.

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This noose tightened in December, 1934, and January, 1935. The National Bank during January lost 500,000,000 francs in gold, and during the panic week in March the daily losses were as follows: 50,000,000, 77,000,000, 180,000,000, 354,000,000, culminating in the withdrawal of 280,000,000 francs in two hours on Saturday, March 16. The next day two royal decrees placed operations in foreign exchange and dealings in gold under government control—and Belgium was off the gold standard.

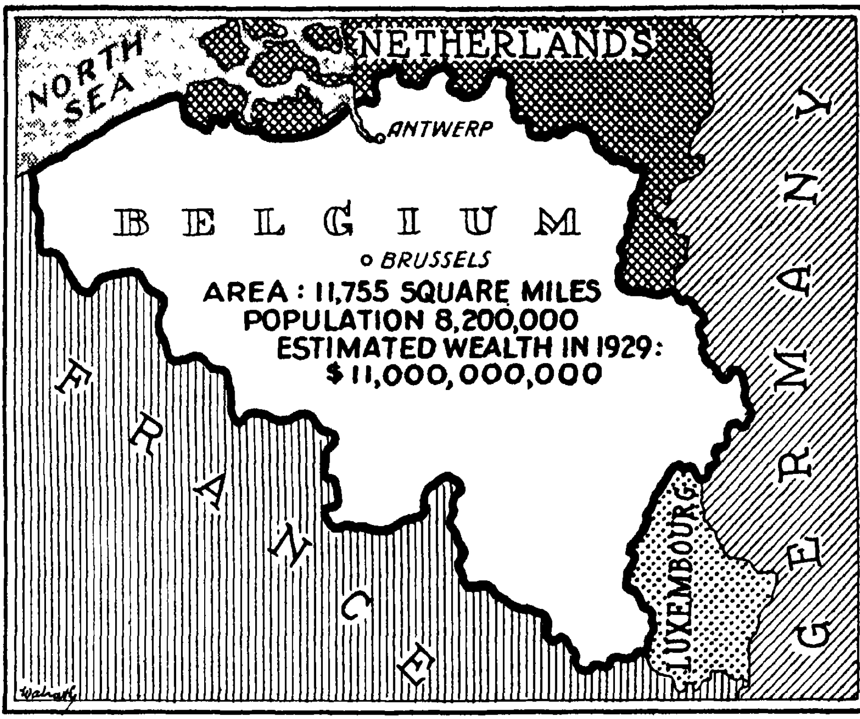
This control of foreign exchange, the last act of the Theunis Cabinet, was decided upon only after a desperate attempt had been made to save the situation. Premier Theunis, with an impressive delegation of Ministers, hurried to Paris to confer with the French Government, a step which, since the two countries had worked together so closely, seemed but natural. Only a few months before, moreover, the two governments had led the movement to form the gold bloc — the monetary union of France, Belgium, Switzerland and the other countries pledged to maintain the gold standard.

After the Belgians had disclosed their plight, Premier Flandin and Finance Minister Germain-Martin immediately offered to place at their disposal on exceptionally favorable terms a large gold credit that would enable them to repel the speculators. But the Belgians did not need gold. They had more than enough of it already. What they did need was some sort of tariff concession that would permit the Belgian business world to expand, no matter how slightly, in the foreign market. Perhaps such a concession would have restored a little confidence to Belgian business, but Premier Flandin and M. Germain-Martin shook their heads. It could not be done, and when M. Theunis returned from Paris on Sunday evening, March 17, he announced over the radio that he would resign the next day.

Exhausted politically, M. Theunis resigned without an adverse vote from Parliament, preferring to leave to his successor the responsibility for the apparently inevitable devaluation of the currency. But this successor was not easy to find, since no party enjoyed a parliamentary majority. One thing was certain: The old Catholic-Liberal coalition had outlived its usefulness. So had its old chiefs—Jaspar, the Count de Broqueville and Theunis —who had governed Belgium almost without a break since 1921. A new leader was needed. He was found in Paul van Zeeland, who very cleverly gave the impression that he was sought after.

This comparatively young man—he is only 42—had been a prisoner in Germany during the World War. Immediately afterward he studied in the United States and was the first Fellow appointed by the Educational Foundation of the Commission for Relief in Belgium. With astonishing rapidity he rose to become at 40 vice governor of the National Bank and also director of the Institute of Economic Science at the University of Louvain.

M. van Zeeland clearly represents the post-war generation. An ambitious man, he seeks to push through a program that will lift Belgium from the depths of the depression. He belongs to the young progressive wing of the Catholic party—he has a degree in Thomist philosophy as well as in law and government. Realizing that capitalism has everywhere been subjected to fierce attacks since 1929, he has determined to do what he can to



Belgium and her neighbors

rescue it by adapting it to changed conditions. Behind this determination is neither a personal nor a class motive, nor any tender feeling for the gods of capitalism in Belgium or elsewhere. He is convinced, however, that the present economic order, at least in its fundamentals, is an integral part of the order that God has planned for the universe, an order that is thoroughly justified by theology.

Thus the van Zeeland administration can hardly be accused of plotting revolution, as die-hard Conservatives have charged. Rather does it seek to meet a new world. This point deserves special emphasis in view of the new political alignment which brought M. van Zeeland to the Premiership. A Conservative-Liberal coalition has been succeeded by a Cabinet of "National Union" which includes Liberal, Catholic and Socialist Ministers.

Socialism in Belgium has in recent years been badly weakened by the collapse or destruction of the Socialist parties in other European countries. Its leaders see that participation in bourgeois governments has not only failed to save the Socialists from defeat but has had much to do with bringing it about. The Belgian Socialist party, moreover, is entangled—compromised expresses it better—with Belgian capitalism because of the character of the trade unions and the workers' cooperatives and insurance societies and its own industrial and colonial enterprises. The powerful Belgian Labor Bank was hard hit by the depression and in 1934 had to beg the Belgian Reconstruction Finance Corporation for aid. Help was given to save innumerable small

depositors, but the step weakened the prestige of the Socialist leaders.

These material and moral setbacks stimulated a Left Wing Socialist movement, which demands a return to a more revolutionary ideal and emphasizes the bankruptcy of all attempts to reform capitalism. The swelling Left Wing menace to party unity has been foiled by the Socialist leaders in two ways. The unions, which are the bureaucratic nuclei of the party and which are as powerful as those of the old German Social Democrats, have pursued the extremists relentlessly and have either gagged or expelled them. At party headquarters, meanwhile, a remarkable effort has been made to whip up the zeal of the working and unemployed masses which have shown signs of turning from socialism and to provide the party with a platform especially suited to the new emergency.

Wily Emile Vandervelde, president of the party, shook up his general staff, especially by calling in Professor DeMan, who soon elaborated a Labor Plan, a governmental program intended to keep the masses on their tiptoes by offering them in their distress an ideal scheme that might some day be realized. This creation of a somewhat mystical collectivism by means of promised lands is an elementary principle in the art of politics.

The Labor Plan owed a considerable debt to the Soviet Five-Year Plan and to the many rearmament and struggle-against-unemployment plans in Nazi Germany. On a more modest scale it was essentially a rather poor mixture of partially realized socialism —a harmless control of competitive banks and the nationalization of certain basic industries, but otherwise, with its respect for private property, it was the same old reformism. Perhaps the learned DeMan never really believed that his plan would be realized or that it could serve as the foundation for a practical program; in any case, he threw it overboard when he entered the van Zeeland Cabinet. Yet ever since 1933 the conventions of the Belgian Labor party have passed resolutions demanding that the Labor Plan in its entirety be put into effect the moment the party gained power.

Faced with this political situation, King Leopold and M. van Zeeland, desirous of exhausting every possible means of Constitutional action, decided upon a concentration government—a coalition Cabinet—of the three major parties. But how to persuade the Labor party to drop the DeMan plan and at the same time induce the Conservative Right-Wing elements to cooperate with the Socialists?

When M. Vandervelde, the veteran leader of the Labor party, went to the royal palace the King presented him with this choice: Give up the dreams of the plan and share in the responsibilities of government or expect the worst. According to later reports, the King reminded Vandervelde of the fate of the German and Austrian Socialists. Even if this is not wholly true, it is none the less probable, and indicates the atmosphere in which the negotiations took place. DeMan, who strongly favored a coalition, is said to have remarked that the alternative for the Socialists was "to join the concentration government at once or be sent to a concentration camp within two months." That was undoubtedly true, for it is certain, especially in view of the attitude of the anti-parliamentary associations of ex-soldiers, that, thanks to M. van Zeeland, Belgium escaped a Fascist government and perhaps widespread turmoil.

Van Zeeland and DeMan had been

in close contact for several months and both were anxious to take control. That much was easy, but as the extremists of the Labor party stood to gain in strength if the De-Man plan were so quickly and treacherously abandoned, the Premier had to draw their teeth. He did so by offering M. Spaak, the Left-Wing leader, the Postmaster Generalship. M. Spaak accepted at once and thus began his career as a Minister in a somewhat questionable fashion.

With a Cabinet consisting of six Catholics, five Socialists and four Liberals, and with the old generation represented by three Ministers without portfolio, M. van Zeeland on March 29 presented his program to Parliament — national recovery by means of devaluation. Devaluation, he explained, was imperative to save the banking system — and in a country like Belgium, where the banks play so important a part, the banking syssteem is practically the economic system. With this bitter pill, which was sugar-coated with soft regrets, there came a complete program of recovery to be carried out by new resources created directly or indirectly by devaluation, especially by revaluing the gold reserve of the National Bank.

The monetary change was put through with the least possible delay. Forced to devalue the belga, the Premier, a few days after he assumed office, fixed the new rate of 28 per cent below the former level. This corresponded to the majority of the exchange rates of the countries with which Belgium trades. A further cut of 2 per cent was made optional, but a second major devaluation was excluded. The Premier at the same time affirmed his belief in the gold standard and expressed his conviction that normal conditions could be restored only by an international stabilization agreement that would end the confusion of exchange rates and the evils of economic conflict.

After a courageous thirty-six-hour fight in Parliament, M. van Zeeland gained his point. His majority in the Chamber of Deputies consisted of the disciplined forces of the Labor party, while the two Conservative parties split into almost equal halves. Those who voted against the Premier's proposals wished to avoid responsibility for a devaluation (the second in ten years), disliked cooperation with Marxists and, in many cases, were merely hostile to things new. Irritated by these defections in his own party, the Premier, without waiting to go before the Senate, was about to abandon his task when the King intervened through the Count de Broqueville, a veteran servant of the monarchy and a former Premier. The Count, in an appeal to the Senate, discreetly hinted that, if worse came to worst, the King foresaw a government ruling without Parliament. The Senate, though the guardian of the Belgian Constitution, did not oppose King Leopold's desires and gave M. van Zeeland a majority of 110 to 20—with 19 abstentions.

The van Zeeland program, as outlined to the Chamber and the Senate, can be summed up as follows:

1. The government in return for saving the banks to be empowered to regulate the relation between their nominal capital and their assets and liabilities and to appoint commissioners with the right to supervise, though not to manage, these institutions.

2. Wholesale prices to be raised immediately, with a moderate increase in retail prices and wages; taxes to be reduced in order to lower production costs; cheap credits to be made available.

3. A central rediscount and guarantee bank, controlled by the National Bank, and a central mortgage bank to be created, the latter to ease the mortgage market.

4. The budget to be balanced; government bonds to be converted; unemployment relief to be reduced by providing work for the idle.

5. Measures to be taken to raise prices of securities and especially of government bonds.

6. Public works to be initiated by the State and carried out by private industry, including the building of workmen's homes and the development of small farms.

7. An ecomonic recovery administration to be set up to coordinate the work of the different government departments.

8. Unprofitable industrial undertakings to be wound up and new businesses to be started to supply the home market with manufactured goods which would have to be bought abroad in consequence of devaluation.

9. Diplomatic and economic relations to be established with the Soviet Union.

10. The government to be granted special extra-parliamentary powers for a year.

But the Cabinet has been slow in carrying out this program. Anxious to retain its broad popular support, it has concentrated its efforts on prices and tried to prevent excessive or rapid rises in the retail trades. Here the government has succeeded without recourse to compulsion. Yet the talk of economic recovery which has been prevalent in the past three months is undoubtedly exaggerated. Recovery has come about less from governmental action than from seasonal changes and especially the temporary consequences of devaluation and of the maintenance of low prices.

When the belga was fixed at 72 per cent of its 1926-1935 value, the gold reserve and the foreign exchange held by the National Bank was revalued at 75 per cent of the old parity. The resulting profits have accrued to the Treasury, and the government has used these new resources to finance its recovery policy and, by a clever device, to reduce its debt to the National Bank. As a result of the assumption by the National Bank of the German currency in circulation in Belgium in 1918, the government owed the bank 1,370,000,000 francs. This figure has now been cut to 500,000,000 francs by turning over to the Treasury an issue of 525,000,000 francs in fifty-franc notes which will henceforth circulate on the account of the State and by deducting 345,000,000 francs through the revaluation of the gold reserve.

The government has also carried through a bond conversion. In the belief that interest rates were no longer in accord with public revenues, the van Zeeland Cabinet proceeded to exchange old State securities for new at a reduced interest rate averaging 4 per cent. Bondholders who refused to accept the government plan have by drastic methods been virtually eliminated from the Stock Exchange. A special fund of 1,000,000,000 francs has been created from the profit from revaluing the gold reserve to regulate the market for State bonds and raise their prices.

The van Zeeland government appears to have failed to counteract the psychological effects of the conversion. Government bonds, offered on the market at an average of 97 francs, not only did not rise but fell steadily after June 3 until on June 18 they were quoted at less than 91½. The

Socialist press attributed this decline to the bankers who, it was alleged, dislike the government and seek to embarrass it at the moment when, by establishing the central rediscount bank, it is about to take the first steps toward bringing the banks under control. But that is not so. Three-fourths of the Belgian banks are supporting the government, and the most important among them have subscribed to the capital of the central rediscount bank.

The decline in bond prices is due to more human factors: The nominal capital bonus granted to the bondholders who accepted conversion—certain dollar bonds received a bonus of 12½ per cent—was too attractive, and the securities have been offered on the Stock Exchange by the government at too high a figure. It is therefore not surprising that many bondholders who bought before the conversion, accepted it and at once flooded the market with converted bonds. In any case the Treasury has had to spend almost 1,000,000,000 francs of its equalization fund in the bond market in an unsuccessful attempt to maintain prices.

The central rediscount and guarantee bank, which was set up on June 14, represents the first step toward banking control. This experiment recognizes the close relationship of the currency and commercial paper guaranteed by the central bank with checks and sight drafts for which the commercial banks are responsible. No longer is the government blind to the essential unity of these various mediums. The problem is one of regulating the credit policies of the commercial banks, avoiding a renewal of the mistakes made since 1930, providing for the permanent mobilization of banking liabilities and deposits and guaranteeing that they will never be lost or frozen.

The van Zeeland government faces other difficulties. Apart from the inevitable results of devaluation, purely political troubles must be dealt with. As in all national coalition Cabinets, there are profound contradictions and differences of opinion and method. The authoritarian tendencies of the younger members of the Cabinet, of the Catholic progressives (van Zeeland), no less than the Socialists (DeMan), meet with the determined opposition of the representatives of the previous generation (Vandervelde and Hymans), who want to bring about recovery by the strictest possible parliamentary and constitutional methods. This opposition is most noticeable in Vandervelde, who has so far been able to prevent the Economic Recovery Administration from doing anything effective. This old leader of the parliamentary opposition regards that organization as a super-Ministerial machine, perhaps even a contrivance by which a dictatorship may be set up by M. van Zeeland or by M. DeMan.

The Homeless Go to Camp

By FRED GENDRAL*

Of all American tragedies, that of the jobless, penniless, homeless and often friendless wanderers is perhaps the most moving. Every highway, every railroad line, can tell of the broken hopes and the ruined lives of men and women, young and old, who have been cast adrift. Some observers put the number of these transients at about 1,500,000, others at 4,000,000, but all agree that there are far too many wayfarers throughout the land looking for work or for escape from intolerable home conditions or for sheer adventure.

On almost every moving freight train, sitting in coal cars, riding on box cars, may be seen men "on the bum." They are following an American tradition—when life becomes unbearable in one place, move on to another. "Knights of the Road" are among them, but these old-timers are in the minority; jobless workers are now the chief riders of the rods.

Freight trains, however, are not the only way of getting about the country. On every main highroad there are dozens of hitch-hikers. Some are ordidary travelers without carfare, but the majority are boys whose domestic life or a longing for adventure drove them out to join the army of the homeless.

There are others on the road. In old and dilapidated cars, moving slowly along or parked near the highway, are families—father, mother and children—who prefer an uncertain future on the road to a permanent but wretched residence in the home they left behind. Thousands of such families, with all their possessions packed on an old car, are thus moving about and stopping only where there seems to be a chance to earn or chisel a few dollars for the continuance of the long trek. Often these groups of nomads, who have little chance of ever returning home, are found stranded in strange, sometimes hostile communities.

It is for these people that the present Federal transient program was inaugurated in July, 1933. By May, 1935, 312 camps, in which the homeless might find some rest, had been set up. In addition there are 283 cities with shelters or other facilities where transients may be cared for. From September, 1933, to April, 1935, $45,-217,585 was expended on this work by the Federal Emergency Relief Administration. The average monthly expenditures for the Spring months of 1935 were between $4,500,000 and $5,000,000. A total of 306,364 individuals were under care on April 15; included in this number were 141,297 members of 39,638 family groups.

Never in recent times has so large a percentage of the people been on the move. Today these American wanderers travel with little hope and have no goal except the next place they are going to. In the history of the country there are few groups who have lost as much. Yet until 1933 little or nothing had been done for them. To the average person, all homeless men

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were bums, tramps or hoboes. In many States they were rushed out of town, and at best the luckless individual, who was classed as a vagrant, was given only a scanty meal and ordered to leave at once. For the most part it seemed that society did not care what happened to him.

In most Southern States, the hoboes and migratory workers were frequently driven away at the point of a gun and in numerous instances the vagrancy laws, enacted after the Civil War to "keep the nigger in his place," were invoked. The transients were found guilty of vagrancy and, unable to pay even a small fine, were sentenced to jail or assigned to chain gangs. That many of the men were injured or crippled, or died while building roads, picking cotton and doing other work, mattered little, for few ever inquired into the circumstances surrounding the "accident" to, or death of, men on the chain gang.

During the Winter of 1931-32 Governor Rolph of California was urged to do something about the growing number of jobless who wintered in his State. Labor camps for the "tramps from the East" were suggested, and soon thirty camps were in operation. Why these camps caused California's migratory population to drop to low levels will be understood by the story of Frank Inglis, 56-year-old veteran of many harvest fields, lumber camps and oil fields:

"I was picked up by the police in Groveland and asked whether I wanted to go to a camp. There I'd get plenty to eat and would have to work only a couple of hours a day; they also promised me a new suit of clothes. Because I needed a new suit, and because they would have put you on a truck and taken you across the State line, I joined up for the camp. At the camp we found that we was getting hardly enough to eat and our bunks were lousy. And we had to work hard for six hours a day; but since we usually had to travel over an hour to get to our working place, it was a good eight-hour working day. Many of the fellows decided to beat it after we had gotten our suit of clothes."

But they never got the clothes. A commission which investigated the camps' unpopularity reported that false promises had been made to the men before sending them to camp, and disclosed a lack of medical facilities, mismanagement, inadequate shelters and provisions, and even insufficient working clothes—all this while the men were building hundreds of miles of roads through forests and clearing many acres of underbrush and inflammable materials. Transients left California much earlier that Winter. However, the "forced labor camps," as they became known, could not be officially whitewashed, and were subsequently abandoned.

Before the present transient program was inaugurated, jungles and homeless colonies had grown to unbelievable proportions. Probably the largest in the country was Hooverville at St. Louis. Located on the banks of the Mississippi River between the city dump and the sewage outlets, it housed in 1932 nearly 1,000 human beings. Pestered by rats and all that rats mean, the residents of this shantytown—chiefly people who had lost their resident status and today would be classified as transients—lived undisturbed by health, local or State authorities who, since it was Federal property, insisted "we have no jurisdiction." Nor did Federal officials do anything, while many were openly opposed to Federal relief.

With the merits of public and private relief under discussion, thousands of boys were sitting beside wood and

paper fires, waiting for coffee to boil in cans found on the dump. The face of a boy already accustomed to the new environment would light up and gleam with satisfaction when an old-timer praised him for having made the trip from Oklahoma City to Cincinnati in less than three days, and this by way of Kansas City. Receiving his high school diploma had meant less than these kind words for having successfully outsmarted the bulls. At last there was some one to appreciate the boy's accomplishments; he had found a field where he could earn recognition, if nothing else.

In some Western States boys made up fully one half of the migratory population, but in the East the number was estimated at 15 per cent. Clinch Calkins, in a keen study of unemployed boys—*Youth Never Comes Again*—says: "Today there is, as far as the boy can see, no end to his wanderings. No shaft of light from the outside world penetrates into the corridors of his night. All that youth has meant to American boys in the past, is taken from him."

In the colonies, scattered along river fronts, on the edges of dumps, in condemned buildings, abandoned coke ovens, dugouts near railroad yards, and other adaptable places, thousands of boys have learned of life as no one who has not lived that way knows it. These degrading environments, inhabited by seasoned tramps, habitual drunkards, perverts and petty criminals, have taught boys and adults to overcome repugnance to begging and how best to adapt themselves to unsanitary living conditions. It was a new kind of secondary education.

Amid disease and conditions seldom observed by the average person, the technique of panhandling has been acquired, the science of cooking coffee in tin cans investigated, and the art of keeping free of vermin admired. Freight-train schedules have been so well memorized that many transients know the fast-freight schedules of almost every through railroad line in America, and can cross the country on freights in less time than a fast autoist.

An insight into the seriousness of the situation is offered by the reports of the Southern Pacific Railroad, with its 9,130 miles of tracks. These showed that the number of persons it had ejected from its property in 1933 was 717,560, as compared with 79,215 in 1928. Exact figures of the number of persons killed while riding the rods are not available, but are estimated at several hundred annually.

That headlines report less frequently, "Thirty-five Boys Taken Off Freight Train, Ill, Dying," or "Two Homeless Men Burn to Death in Shack," is encouraging and to a large extent due to the care now being given by the Transient Division of the FERA, one of the most interesting organizations born of the New Deal. All persons without legal residence in any community may apply to a transient bureau—there is one in almost every large city—and receive assistance. Many applicants are sent to camps and report that things in "the bums' camps are not so bad."

Conditions such as those found by the California work camp investigating commission in 1932 are for the most part absent from the 312 transient camps scattered throughout the country. Three meals a day are served, and are about as substantial as those eaten in the home of the average worker. While ordinary clothes are hard or impossible to obtain, a fair supply of those to work in is available, and in nearly all camps adequate medical and dental attention is provided. Many an old-timer, wandering

about the land with bad teeth or none at all, has for the first time in his life received proper dental attention. Nor do police officials supervise enlistments for camp, as four years ago during the transient elimination campaign in California.

Today the representative of the registration bureau sometimes asks the men to choose from among several camps. Those who would rather remain in the city may do so and are provided for, although there is now a growing tendency to bring pressure upon them to go to a camp. In some registration bureaus considerable persuasion is necessary before the men give way. Here is raised a fundamental question of the whole transient camp program: Can men who have been city dwellers most of their lives be successfully transplanted to a rural camp?

While many camps are supervised by men drawn from military and semimilitary organizations, army ways are little in evidence and men in almost all camps may leave whenever they wish. The policy has been to make them feel as free as possible and induce them gradually to settle down. Since many of the camps harbor fugitives from justice and petty criminals, transient officials have been urged to fingerprint the men; but that has been ruled out as too humiliating to those who have good work records and also because it would not help to catch criminals who would only seek other hiding places.

Each camp maintains a number of projects, the men all being required to work on an average of thirty hours a week, for which they receive not only their meals and sleeping quarters, medical and dental care and working clothes, but also a cash allowance of a dollar a week. A small percentage of the men—those holding positions of greater responsibility in the camp—receive a bonus of one to two dollars in addition to their regular allowance. With the exception of several supervisory positions—supervisor, personnel and business assistants, steward and sometimes a project foreman—all work is done by the men themselves. The average total cost to the government of maintaining a man in a transient camp is 70 cents a day. This includes everything from meals to administration.

For the last week of May the work schedule at Camp Green Haven—a typical transient camp seventy-five miles north of New York City—was as follows: A construction gang of twenty-five men building a new dining hall and kitchen; a roadbuilding gang of twenty men at work on a new road leading from a Dutchess County highway to the camp buildings; twenty-five men assigned to the farm of the Hudson River State Hospital, on whose grounds the camp is located (most camps are on public property). Fifteen men assisted the forester of the State Conservation Department in the Green Haven Nursery and the same number cultivated about eighteen acres of land, which constitute the camp farm. Six men built needed furniture in the camp's woodworking shop; another half dozen drove the camp's six trucks, and several more worked in the garage as mechanics. The kitchen and dining room were taken care of by thirty men, and in addition to all these were the housemen who kept the dormitories clean, tailors, shoemakers, plumbers, painters, blacksmiths, electricians, storeroom and canteen clerks and other personnel necessary to run a camp with 200 men.

With few exceptions, such as the law, all professions were represented at Camp Green Haven. A former California physician was recreational di-

rector, while a former naval officer—still holding a commercial master's license—drew plans of the camp grounds and farm. The former secretary of an ex-Congressman was the office stenographer; a former custom tailor from one of New York's well-known men's shops had charge of the tailor shop, where overalls were repaired and the men's pants pressed; in charge of the woodworking shop was a former band leader whose hobby had been cabinetmaking; another "ex" man was the foreman of the roadbuilding gang who once supervised a crew of railroad maintenance-of-way employes, and in charge of the pantry was a former food-cost accountant of a great New York City hotel. Perhaps it should be said that most transients register under assumed names, lest their friends or families learn of their predicament.

While Green Haven is an average-size camp, there are many that are larger and shelter more than 200 men. The largest is located at Fort Eustis, Va., where on May 15, 2,624 employable transient men from Maryland and Washington, D. C., were quartered.

One of the most interesting developments in the transient camps is the camp magazine, of which there are now some 250. Their titles often suggest the sections of the country in which they appear; for example, *Cactus News, The Pony Express, The Longhorn* and *The Granite Stater.* These magazines, ranging from four to sometimes more than twenty-four mimeographed pages, contain not only camp gossip and news, outspoken editorials and cartoons, but also excellent articles and poems. A fair-sized book might be filled with the poems written by transients. In *The Lariat* of Fort Worth, Texas, there appeared for months in consecutive issues a "Transietta Rhapsodia," which might be included in any anthology of contemporary poetry.

Literary and intelligence tests made in camps and shelters in various States indicate that the transient is slightly above the average for the general population. Were it not for alcohol, many transients would be filling good positions, even today, for among them are excellent craftsmen and skilled workers. It is calculated that one-half of America's transients are under 30 years of age. Seven out of eight are native born.

Women comprise approximately 5 per cent of all transients. While life on the road is hard for unattached male wanderers, and often bitterly disappointing to family groups, it is most difficult of all for single girls and women. This not necessarily because of their sex. Male vagabonds in the course of time built up a sort of communal life; they had their own organization, and even their own language, but for women all this was non-existent. To gain the advantages enjoyed by men, many single women and girls attached themselves quite frankly to troupes of male transients on condition that whatever was obtained in the way of food and other things should be equally shared. A "brother and sister" on the road are more likely than not to be a boy and girl who have found it advantageous to cohabit and share their common lot.

It is difficult to classify transients, but keen observers have estimated that 65 per cent of them are persons with good or fair work records who have only recently been cast out of their normal surroundings; boys who have never had an opportunity to work anywhere or not very long are estimated to make up 20 per cent of the total, while the old-time hoboes or

"Knights of the Road" number between 10 and 15 per cent.

When in the Summer of 1933 the present program for the care of the homeless was initiated, few realized the magnitude of the task ahead. It involved the care of all unattached persons and families for whom local and State organizations disclaimed responsibility because of non-existent or uncertain residence status. Much suffering has been alleviated and many have settled down again. But industrial and agricultural conditions prevent transiency from diminishing in the United States. Perhaps the real surprise is that not more persons, especially young men and boys, have left their homes.

Even if the causes of transiency are beyond the control of any existing governmental organization, there is much more that can be done. Negro transients, who comprise about 20 per cent of the total, must be better cared for; at present, with few exceptions, they are the worst off. Facilities for the care of the homeless in the cities must be increased, for in many instances they are both inadequate and overcrowded and often are no improvement over the old "flop-house." The whole transient program, as carried out in the various States, must be more centralized and conform more to a set standard if the present objectives are to be attained. Good care in one State and bad in another make only for more transiency. Finally, greater hope of receiving a share in the impending works program must be given these men who have been practically excluded from all relief work.

It cannot be forgotten that if these members of our population are neglected they will not only become more demoralized but will eventually sink to the level of what many think they already are—human derelicts. They will, moreover, demoralize other elements in the community. Although the causes of transiency lie chiefly in our faulty economic system, there are many who agree with the opinion of a work relief director in a Pennsylvania county who said:

"I'll grant you that many of them today would be in some home were it not for unemployment, but I am convinced that about one-half of the transients are simply psychological misfits, drunkards and others who really have never made much of an effort to improve their conditions. Some of them are the victims of circumstances, but most are simply economic misfits."

In reply to this widespread conservative opinion comes another, that of the transient director of New York: "Offer 95 per cent of the transients jobs and they will be glad to work again. They are not economic misfits or socially unadaptable to our mode of life and therefore they are not in need of individual social attention. Here it is not a question of adapting sick individuals to our social system, but the serious problem of adapting a sick social system to meet the needs of the individual."

Pavlov Turns to Psychiatry

By W. HORSLEY GANTT*

IVAN PETROVICH PAVLOV, one of the greatest men of science that Russia has given the world, was born in Ryazan, a small peasant town in the Province of Moscow, on Sept. 26, 1849. He was the son of a poor priest, who wanted him to follow in his footsteps, and so he was sent to a theological seminary.

Sitting in the class room and impatiently listening to the long-winded, sonorous-voiced teachers who spoke of things that could be neither proved nor observed, young Ivan resolved that he would not be a priest. It was much more satisfactory to read *The Physiology of Common Life*, by G. H. Lewes (the friend of George Eliot), in which everything was part of a system and could be seen and measured and observed and proved by experimentation. And was not the body like any inanimate machine that consumes fuel in the form of food and transforms it into various kinds of energy or heat—in the body, muscular movements or glandular secretions?

That explains why, instead of finishing at the theological seminary, Pavlov went off to St. Petersburg to study under Mendeleyev, the great chemist. Here he lived with his brother on a starvation diet, often eating nothing but black bread the whole day, for his father was too poor to aid him. By winning a scholarship he was able to study abroad for two years under the great physiologists Carl Ludwig and Heidenhain. Incidentally, Welch, a founder of Johns Hopkins, was among his fellow-students. On returning to St. Petersburg he obtained a position as assistant with the famous clinician Botkin.

For years Pavlov worked without attracting special attention, but he had begun his hunt for facts. He was indefatigable, derided all shams, asked no favors of any one and blurted out his opinions in fiery, aggressive language against the head of the Military Medical Academy, who sought by his political scheming to keep himself in favor with the Czarist government at the expense of science. For these reasons Pavlov was appointed full professor only a few years before he was awarded the Nobel Prize in 1904.

By the time he was 53 Pavlov had established his reputation as a physiologist by his brilliant researches on digestion. By ingenious operations he managed to obtain secretions from the stomach, pancreas and liver of a dog leading a normal life in the laboratory, day after day and under varying conditions. This of course differed from acute vivisection experiments generally employed by physiologists. But certain facts appeared that could neither be explained nor neglected. Why did saliva pour forth in the dog's mouth not only when he was given food to eat but when it was shown to him or he heard the footsteps of the assistant bringing the food? Was not this so-called psychical fact also a physiological reflex, determined by external con-

*Dr. Gantt, now a psychiatrist at the Medical School of Johns Hopkins University, served as chief of the medical division of the Leningrad unit of the American Relief Administration in 1922-23 and collaborated in Professor Pavlov's physiological laboratory from 1925 to 1929.

ditions and organic structure just as much as was the ordinary mechanical unchanging reflex action?

It was in this new and unexplored and at that time very difficult field that Pavlov, between the ages of 55 and 60, carried on his resolute and daring investigations. This is all the more remarkable when it is remembered that he had to begin not only by devising methods but in a subject entirely neglected by physiologists and one in which he himself had had absolutely no experience. He worked, moreover, in the face of discouragement both in his own laboratory and from such noted physiologists as Sir Charles Sherrington and Tigerstedt. Yet for twenty-five long years he went on amassing facts, continually repeating experiments for verifications and waiting a quarter of a century—until he was nearly 75—before he was willing to let his results be published in book form (*Lectures on Conditioned Reflexes*. New York: International Publishers, 1928). Thus it is that only in the past decade has the world known of Pavlov's researches in this field.

Although the creative work of many scientists is over by the time they reach 60, Pavlov did not begin his investigation of behavior until he was that old, and even after reaching 80 he has dared to go further, to follow a new trail suggested by certain laboratory facts and to apply his results to the study of mental diseases in human beings. Led by facts to the frontier of this field, he has not hesitated on account of age to proceed into a new branch of medicine—psychiatry—for Pavlov has never been a clinician. Here he is as serious and enthusiastic a student of nervous diseases as any young medico experiencing his first thrills in the acquisition of knowledge.

In September, 1934, I found him aglow with discussions he had recently had with the American psychiatrist Adolf Meyer, who visited him in Leningrad, and his desk covered with the current textbooks of psychiatry in English, German and French. He had mastered the symptoms of the various forms of insanity so thoroughly that he was as conversant with them as any alienist. Not only had he studied the literature of the subject but he was also spending four hours weekly in the local asylums with the patients. By correlating his own laboratory findings with those of the clinic he has given us new theories concerning the nature and origin of two very important nervous diseases—hysteria and paranoia.

A decade ago Pavlov found in his laboratory dogs an experimental basis for nervous breakdown in the human being. In his early work, it should be remembered, he worked with two opposite forms of nervous activity—excitation and inhibition. In the usual laboratory experiment the former is produced by having some such signal as a bell or a metronome coincide with feeding, so that the bell finally starts off the same train of reactions (muscular tensions and movements and secretions) as the food itself—the food excitation. The inhibitory process is formed by taking another but similar signal and repeating it without feeding. If a metronome of 100 beats per minute has been chosen for the excitatory signal and one of 150 beats for the inhibitory, almost any dog can tell the difference between these two metronomes, but if they are brought very close together, for example, at 100 and 105 beats, the dog may become perplexed and sick worrying over which is which. (Pavlov would not use these terms, implying that we know what the dog is thinking about,

and at one time he fined members of the staff who used them.)

These two signals, of course, represent an important function for the dog. Although some dogs when confronted by the problem raised by the two similar metronomes simply get "bored" and go to sleep, the decision between food and no food may throw others into a state of confusion and give them a "neurosis" lasting several months or longer. To them it seems a question of "to be or not to be," and they worry themselves insane trying to get the correct answer. Food, of course, is a vital element in a dog's life. If he cannot decide clearly he may give up, become disgusted and refuse to eat altogether, or even spew out any food already in his mouth, or have a temper tantrum, crying, whining, biting at his stand, and refuse to eat whenever he is brought into the room where the experiment took place, even if this may have been months before.

Such a condition may persist for a long time, even a year, after the experiment, although the dog may not in the meanwhile have been brought into the experimental chamber. One might think that he had "forgotten" about it, but such a sad and distressing dilemma, connected as it is with so important a problem—one of his life's ambitions—is not lightly forgotten by the nervous system of even a dog. (Instead of using these general terms Pavlov would speak of the damage done to the nervous system by the collision between excitation and inhibition in the brain.)

By using a difficult differentiation between two metronomes, Pavlov in the past year or two has obtained pathological states in dogs which he considers analogous to paranoia in the human being—the form of insanity known as paranoia in which the patient has a system of delusions connected with some special subject, while remaining perfectly normal and capable in other respects. In animals of a certain constitutional type, with a weak nervous system, the sore spot becomes permanent, so that, even if the problem is made easier, the dogs continue to react in the former perverse way, just as if it were still difficult, but their reactions to all other stimuli are normal. These normal reactions are modifiable, change with the circumstances, adapt to reality (as in a normal dog), whereas the reactions to the metronomes connected with a former difficult problem, even when used in a new way, are unchangeable; the dog, like the human patient, bends reality to fit the past. It is the same with the dog as with the patient who cannot be argued out of his theories of persecution and self-justification. The longer the dog is trained, the more one tries to modify the metronomes to conform to his reality, the more set he becomes in his perversity.

Pavlov has also made contributions to the study of hysteria. He believes that the living organism is a machine obeying the laws of mechanics. The higher organisms have specialized structures capable of detecting changes in the ether (light waves, through the eye), vibrations of a certain frequency in matter (sound waves, through the ear), pressure, temperature, &c. (through the skin), taste, smell and sensations from the internal organs. All these are converted into nervous impulses and conducted into a central system whence they may be connected with almost any activity of the body through outgoing nerves. When a certain signal, that is, some change in the environment, coincides once or more often in a definite time relation with cer-

tain activities of the body, it may acquire the power of calling out this same activity at a later period through the property of the nervous system to make connections, although the first relation was purely accidental.

This is Pavlov's conditioned reflex. He considers that the brain has a few simple mechanical functions such as synthesis, or the making of connections, and analysis, or the choosing between different signals on the basis of past experience. Two fundamental and opposite processes are involved—excitation when the choice is "yes" and inhibition when the choice is "no"; between these two there is often a fight for predominance.

In Pavlov's work he does not need or use any such complicated psychological functions as will, judgment, &c., because he considers them too vague for exact work with the animal. For him all can be resolved into conditioned reflexes, and as these depend only upon environment, internal and external, plus constitutional make-up, behavior is determined and can be studied on the same general principles as any other determinate system.

Last Autumn Pavlov expressed to me the opinion that human beings can be divided on the basis of conditioned reflexes into two general groups—those who react to the direct concrete signal about them and those who react to the signals of these signals or words. To the former group belong those who see things as a whole picture, eidetic imagery, such as children and artists; and to the second, those who analyze and deal with abstractions, such as scientists. Rarely are the two combined in one person, as in the case of Goethe and Leonardo da Vinci. The word system is built upon the more primitive one of direct signals, and according to Pavlov it is this system that is chiefly at fault, in the case of hysteria, by signaling falsely, *in conformity with the past* rather than the present. The details of his explanation involve too much space to give here. Recently another scientist, Korzybski, has also stressed the importance of false word reactions in mental disease.

"No communism without science," said Lenin, and instructed the Sovnarkom (the Supreme Council of the Soviet Union) to pass a law that Pavlov should have all that he needed for his scentific researches. But Pavlov has repeatedly refused personal favors from the Soviet Government, and denounces it even more vehemently than he did the Czarist régime. Here he is as fearless as he was when playing and fighting as a boy in Ryazan, or as he has been in striking out into new scientific fields. This he has done from the beginning of the Bolshevik Revolution, when he had no reason to expect immunity from the harsh hand of the military. When special rations were offered him at that time, though he was getting only a little black bread and potatoes daily, he replied: "I cannot accept more when my compatriots are starving." He preferred to walk through snow and ice, or to use the street car crowded with workers, rather than ride in the government automobile given him. He resigned as professor from the Military Medical Academy because "I too am the son of a priest, and if you expel the students who are their sons then I will go!"

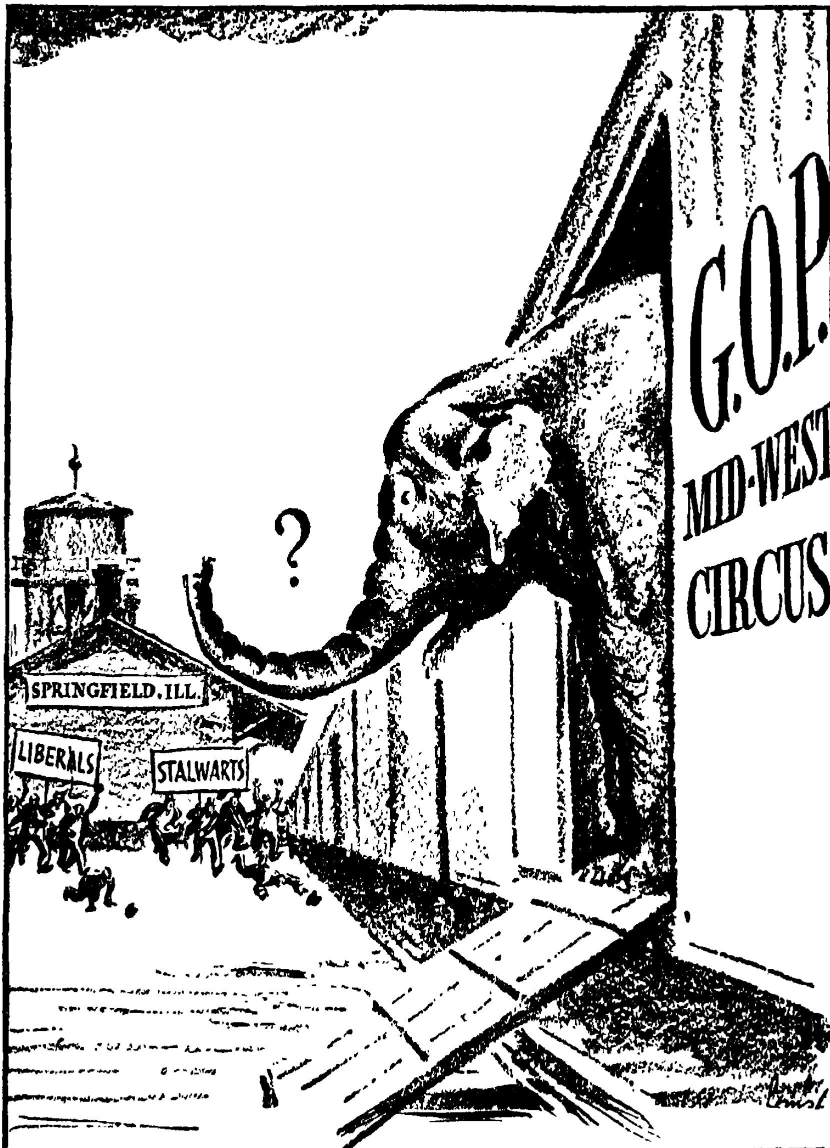
When the Soviet Government wished to arrange an official celebration of his eightieth birthday, Pavlov refused with the statement: "I cannot celebrate when my country is in mourning"; and to a world-famous

author who came to tell him that he should not vilify the government when it was doing the best that it could for his work, he shouted: "Out of my house!" On another occasion Pavlov challenged statements of a prominent Communist before an audience of 500 (something which no one in Soviet Russia has dared to do), and against protests of "Treason!" shook his fists defiantly, explaining: "I am speaking only the truth, and whether you will or no you must listen!"

Though nearly 86 years of age, Pavlov continues active work in his three laboratories, where he directs fifty collaborators. Mentally he is as alert and enthusiastic as ever. While in Russia last Autumn I could not notice any lessening of his incomparable powers of observation or keen comprehension. Yet in commenting on old age, he noted that the defect commonly called "senile dispersion of attention" is in reality an extreme of concentration, so that he can attend to only one thing at the time, and that other old automatic movements and habits are not possible simultaneously, as they are in younger people. Because of his feeling that too much emotional excitement is hard on the heart, he no longer indulges in fiery outbursts on the subject of the government or his other antipathies. More than six years ago at 79, although he had then recently undergone a severe operation for gallstones, he outplayed every one in the laboratory at gorodkee, a Russian game nearly as strenuous as baseball. In August, 1933, I found him at the Summer laboratory near Leningrad and he showed me with pride the road to the garden he had built himself during vacation, spending regularly five hours daily with spade and pick—two hours each in the morning and afternoon and one hour in the long northern twilight after dinner.

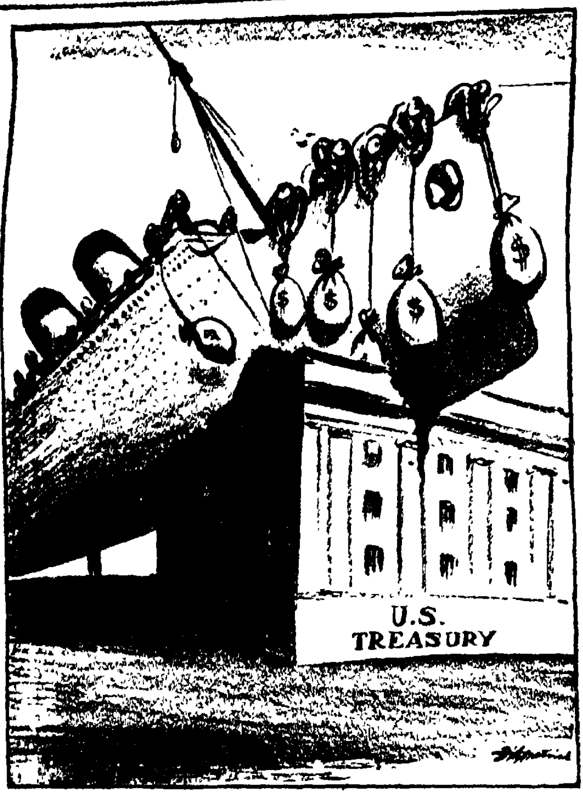
Today Pavlov's step may be a whit slower, his hair thinner and his speech not quite so vehement, yet he gave me as clear a discussion and analysis of the current notions of mental diseases, learned since he was 82, as I have ever heard, and outlined with zeal as great as a decade ago his plans for pushing on in this new field ("I must hurry because I am getting old, but I want to work until I am 90.") With the adventuresome spirit of a boy he explained the challenging facts of his own laboratory, and said: "I do not know what the psychiatrists will think, but these are our facts," adding with a fierce gleam in his eyes: "We shall see who is right!"

Current History in Cartoons



Who'll lead me in the parade?

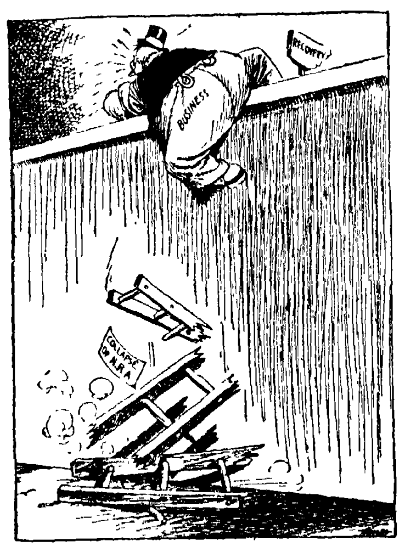
—*Milwaukee Journal*



The subsidy racket
—St. Louis Post-Dispatch



Holding him in line
—Courier-Journal, Louisville



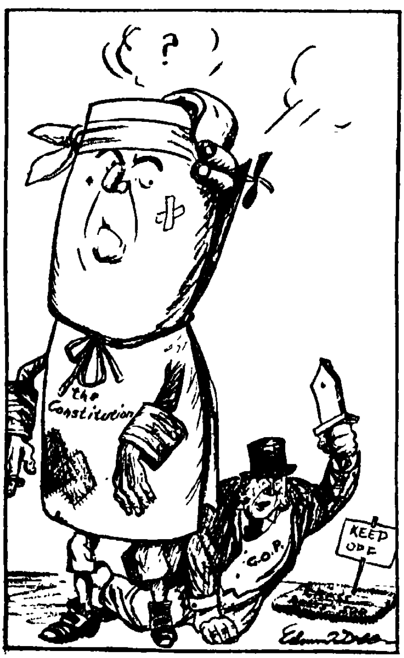
No falling back now
—Birmingham Age-Herald



Politics makes strange bedfellows
—*Boston Evening Transcript*



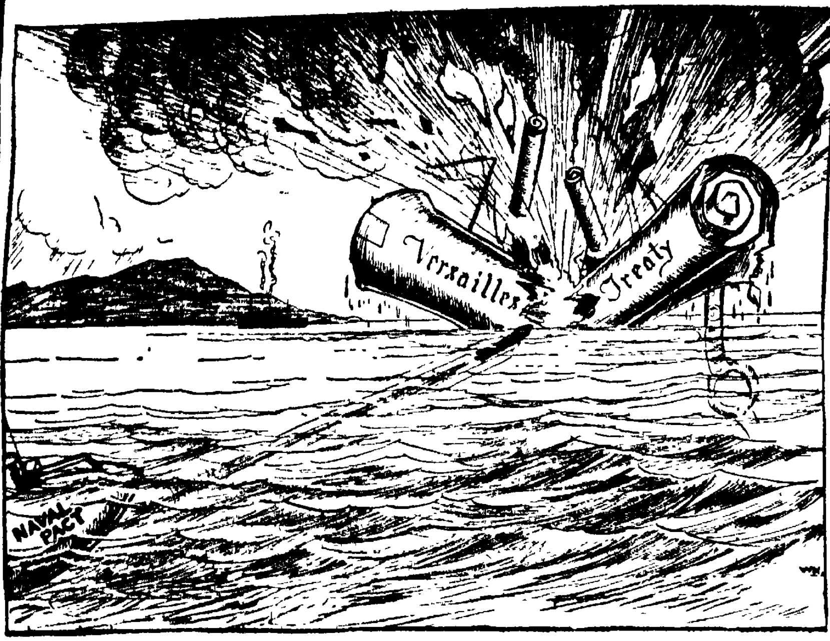
The fatted calf
—*Richmond Times-Dispatch*



"Don't you dare hurt my buddy"
—*The Sun*, Baltimore

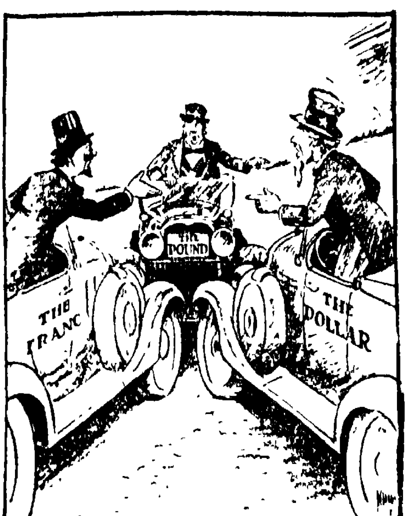


It's there for a purpose
—*The Union*, Manchester



Torpedoed!

—Glasgow Bulletin



Wanted a traffic cop

—The New York Times



A no-limit game

—Boston Herald



"The more you throwa da to-mat' the louder I singa!"

—*Daily Herald*, London



A pepping-up process

—*Philadelphia Inquirer*

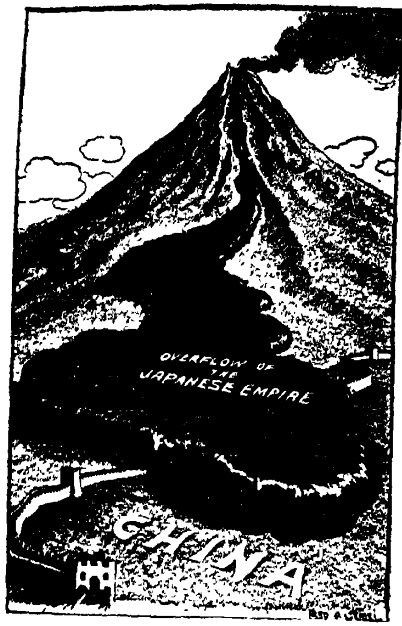


Picketing

—*Washington Post*



Definitely out?
--*Rochester Times-Union*



Will any one stop it?
—*Richmond Times-Dispatch*



The inevitable victors
—*Washington Post*



The American ostrich
--*Post-Standard,* Syracuse

A Month's World History

Chronology of Current Events

(Figures indicate page numbers.)

International Events

June 4—International Labor Conference opens at Geneva (512).

June 13—Czechoslovak Foreign Minister visits Moscow (545).

June 18—Anglo-German naval pact published (506).

June 20—Ethiopia asks League for neutral observers on frontier (511).

June 22—Anthony Eden confers in Paris on naval pact (509).

June 24—Eden and Mussolini confer at Rome (510).

International Chamber of Commerce meets in Paris (512).

June 25—Announcement made of Germany's promise to ban unrestricted submarine warfare (508).

July 1—Soviet Union warns Japan on frontier raids.

July 3—Ethiopia appeals to America for sympathy (511).

July 4—Ethiopia asks United States to make Italy observe Kellogg pact.

July 5—United States rejects Ethiopian appeal for aid.

The United States

June 10—"Grass Roots" Republican convention at Springfield, Ill. (513).

June 11—Senate votes drastic utility bill.

June 14—Congress passes skeleton NRA.

June 16—Executive order sets up new NRA organization (518).

June 19—President proposes higher taxes and general tax-law revision (515).

Senate passes Security Bill (519).

House passes Wagner Labor Bill.

June 24—Senate passes Bankhead Sharecropper Bill.

Roosevelt asks for immediate passage of tax proposals.

June 26—Youth aid set up by government.

June 30—Coal strike averted.

July 2—Banking Bill reported to Senate (520).

House passes revised Utility Bill (520).

July 5—President signs Wagner Labor Bill (519).

Canada

June 12—Ontario bankers spurn Provincial bond issue (524).

June 27—Liberals win New Brunswick election (522).

July 1—Unemployed riot in Regina, Saskatchewan (523).

Latin America

June 11—Cuba restores 1901 Constitution (526).

June 14—Armistice begins in the Chaco (529).

Mexican Cabinet resigns after President Cardenas and ex-President Calles disagree (525).

June 17—Ex-President Calles announces withdrawal from Mexican politics.

New Cardenas Cabinet appointed (526).

June 21—Bolivia and Paraguay ratify Chaco truce (529).

July 2—President Cardenas declares his program will be continued.

The British Empire

May 27—Copper mine riots in Northern Rhodesia (533).

May 28—Lusaka becomes capital of Northern Rhodesia (533).

May 29—De Valera promises that Irish Free State will not harbor enemies of Britain (532).

May 30—Australian Loan Council votes huge public works loan (533).

June 4—Marketing agreement reached by British Iron and Steel Federation and International Steel Cartel (530).

June 6—Judicial Committee of Privy Council declares Dominions are free of British law (531).

June 17—British Parliament reassembles (530).

June 20—British Parliament receives assurances on South African protectorates (530).

June 21—British House of Commons guarantees securities for transport electrification (530).

June 27—Unofficial British peace ballot concluded (531).

June 29—De Valera declares Free State government against all non-constitutional procedure (532).

France

June 9—Socialist party convention at Mulhouse (535).

June 22—Croix de Feu demonstration at Chartres (534).

June 24—Jean Chiappe elected President of Paris Municipal Council (535).

June 28—Parliament adjourns (536).

Germany

June 12—Ernst Torgler reported released by Nazis.

June 20—Publication of German budget reveals deficit.

July 1 Special "office to settle litigation concerning Protestant Church" begins work (538).

Italy and Spain

June 6—Martial law extended in Spain (540).

June 9—Italy announces extension of system of import licenses (540).

June 12—*The New York Times* excluded from Italy (539).

Eastern Europe

June 17—National rally of Rumanian Peasant party (545).

June 20—Yugoslav Cabinet falls (543).

June 24—New Yugoslav Cabinet formed (543).

June 29—Danzig banking holiday ends (544).

Northern Europe

June 8—Sweden increases old-age pensions (547).

June 18—Swedish Riksdag adjourns (548).

June 21—Estonian Fascists sentenced by Tallinn court-martial (548).

The Soviet Union

May 20—Chamber of Commerce reveals rise of national income (550).

June 7—Communist party purge expels A. S. Yenukidze (552).

The Near and Middle East

June 1—Virtual agreement by Abyssinia, Egypt and Sudan on Tsana dam reported from Cairo (554).

June 13—Turkey's ban against clerical garb becomes effective (555).

June 18—Turkish Ministry of Interior establishes censorship of motion pictures (555).

The Far East

May 22—Chang Ching-hui becomes Premier of Manchukuo (559).

June 14—Japan's first Ambassador presents credentials to Nanking (559).

June 17—British and American oil companies announce their withdrawal from Manchukuo (560).

June 19—Japan announces acceptance of her demands in North China (558).

June 26—Japanese Finance Minister warns against continued government borrowing (560).

The Anglo-German Naval Pact

By ALLAN NEVINS

THE Anglo-German naval agreement, unexpectedly announced to the world by a British White Paper on June 18, startled Europe like an exploding bomb. The first Anglo-German naval conversations since the war had begun at the British Foreign Office on June 4, conducted by Hitler's special representative, Herr von Ribbentrop, and representatives of the British Admiralty and Foreign Office. It was supposed until the last moment that if any agreement were reached, it would be provisional and subject to the approval of other naval powers. The British Government, in fact, had informed the French on June 7 that the talks were merely exploratory. Any abrupt step seemed the more unlikely since Great Britain had just taken a new Prime Minister in Stanley Baldwin and a new Foreign Minister in Sir Samuel Hoare. Then came the news that a treaty giving the Third Reich the right to a fleet 35 per cent of Britain's had been signed, sealed and put into immediate effect.

The news naturally provoked the wildest jubilation in Germany, the sharpest resentment in France and Russia. French complaints were not directed primarily against the substance of the agreement. Even if Germany built immediately to the 35 per cent limit the French fleet would still be at least 15 per cent greater, while money spent by the Reich on ships is not spent on the tanks, guns and airplanes that France fears more.

The French, Italians and Russians

objected especially to the method. They were not consulted; they were misled; and Britain violated the whole spirit of Stresa—so they alleged. After formally protesting against the way Germany was scrapping the arms section of the Versailles treaty, the British turned about and threw the last shreds of this section into the fire. These facts cannot be denied. Of course in actual truth, Part V of the treaty was already dead; the British simply recognized this in their usual practical way, but in so doing they compounded with Germany—formally and legally—the treaty violation they had just condemned. It is not strange that Anthony Eden hurried to Paris on June 20, and to Rome on June 22, to explain.

Nor is it strange that while he did so the susceptible German nation rejoiced extravagantly. By a swift coup the Reich had broken the "Stresa front." It had won the assent of the greatest European power to repudiation of one part of the treaty; it had ended the isolation endured uninterruptedly since German departure from the League in October, 1933. Everyone knows that Britain joined in the Stresa-Geneva censure reluctantly, and that most Britons (like most of the Dutch and Scandinavians) regarded it as hypocritical and unjust.

Nevertheless, to kill Stresa so soon is a German triumph. The practical naval value of the treaty is considerable, though its political value is what Berlin really prizes. It is a victory in foreign affairs; strengthening Hitler after dark days, it is no less a victory in domestic politics. Intelligent Germans have long realized that the best hope for their nation lies in winning British friendship. Berlin correspondents hastened to point out after June 18 that Berlin was readier than ever to support the British plan for a Western air pact, and to shape her foreign policy to conform with British wishes wherever possible.

If the practical consequences of the naval treaty could be foretold we might predict much of the course of European affairs in the next few years. These consequences must at once be divided between the naval and the political. Speaking in strict naval terms, Great Britain and Germany have arrived at a fairly equitable bargain. Each country can justify it by good arguments. The whole animus of naval competition, which did so much to bring on the World War, is removed. Getting 35 per cent of the aggregate naval tonnage of the British Commonwealth, the Reich gets all she can possibly now pay for anyway. But she foreswears a 50 or 75 per cent that she might pay for later.

Some Britons object that even 35 per cent will really give Germany an advantage; that with her brand-new navy concentrated in the North Sea she will be more powerful than Great Britain with an older fleet necessarily scattered over the globe.

But British naval experts do not share this fear. For example, Admiral Sir Herbert Richmond, writing in the *Observer*, points out that the command of the North Sea will be determined by battleships, and that whenever European storms require it the British battle-fleet can be concentrated at home as readily as in 1914.

Actually Germany will build up gradually to the permitted level. Her intentions, revealed confidentially to Great Britain during the negotiations, and to France early in July, were not immediately published. The Reich now has three "pocket-battleships" of

10,000 tons each, *formidable* vessels that can sink anything that can catch them and escape anything that can sink them. She will be allowed to add capital ships to a total of 183,750 tons.

Great Britain today has fifteen battleships and battle-cruisers, her strength being limited by the London and Washington agreements to 525,-000 tons. The battle-cruiser Hood is of 42,100 tons; the battleships Nelson and Rodney of 33,500 and 33,900 tons; there are two more battle-cruisers of 32,000 tons each; five battleships of 31,500 tons; and five of 29,150. Eight capital ships altogether bear a replacement date of 1937. Of late years Britain has gladly economized on her fleet. The new treaty saves her from any unhappy results of such economy and permits a reasonable continuance of it.

As for submarines, Germany is allowed to increase her proportion to 45 per cent if she economizes in other categories. She may even, if she encounters a situation which makes it necessary, go above 45 per cent; but in such event she will give notice to the British Government and submit the matter first to friendly discussion. The Reich also agrees specifically, as the First Lord of the Admiralty told the Commons on June 25, never again to resort to unrestricted submarine warfare. That is, she accepts the rules of Part IV of the London naval treaty. It will be remembered that this part is binding on Great Britain, the United States and Japan, but not upon France and Italy, which have never ratified it. Finally, the Reich expresses readiness to abolish the submarine altogether if other powers do —and of course here again France and Italy have been the chief obstacles.

It is evident that the British, for all their memories of 1917, are not greatly worried by a German submarine fleet. They may attach value to the new German pledge. They may place confidence in new devices against submarines. At any rate, they probably regard the chief danger today as from the air.

One interesting feature of the treaty affects the United States as well as other nations. Germany declares that she favors world limitation of naval armaments by that system which divides naval vessels into categories fixing the maximum tonnage or armament for vessels in each. This indicates a return by Great Britain to the old effort to persuade all powers to reduce the maximum tonnage of battleships from 35,000 to 25,000, with 12-inch instead of 16-inch guns. She would also like to reduce the maximum tonnage of cruisers from 10,000 to 7,000 tons, with 6-inch instead of 8-inch guns. In this effort she will now have German support.

The United States has always opposed the British plan. Since we have no such world-wide system of naval bases as the British Commonwealth possesses, our naval experts insist on vessels of long-cruising range, on the 35,000-ton battleship and the 10,000-ton cruiser. Navy Department officials in Washington hastened on June 20 to say that we can never abandon the heavy ships. France, which recently turned to the 35,000-ton ship to meet Italian competition, will also be opposed. The fox and the stork require different drinking vessels and think each other unreasonable.

Prime Minister Baldwin announced on June 25 that the government expected to invite France, Italy and Russia to send delegations to London shortly for naval discussions, but he gave no more definite information. The news of the Anglo-German treaty

inspired much talk of larger navies in Paris, Rome and even Warsaw—Poland having sixteen miles of Baltic shore to protect, and several destroyers and submarines to do it with. This talk, however, soon died away. It is said to be the British wish to persuade Germany to spread her new building program over seven years instead of Hitler's first proposal of four. If this is done, there need be no sudden increase in French and Italian navies. And the hope for a renewal of the London naval treaty before its expiration next year can still be warmly cherished.

Politically, the consequences of the Anglo-German treaty are as yet impossible to gauge. It is impossible to say how deep is the French and Italian resentment, how lasting it will prove, what forms it will take. Anthony Eden on June 20 was confronted with an unenviable task. With Stresa in mind, he had to explain one of the hastiest turnabouts in British history. He had to tell Laval and Mussolini just what Great Britain meant by talking about "collective security" and then concluding an abrupt bilateral agreement.

In Paris Eden encountered an angry press, a frigid Foreign Office. The French have always followed the policy of insisting that land, sea and air armaments are so interdependent that limitation of all must be considered together. Their policy has also been to insist that mere bilateral limitation of armaments is unfair to the League and to other nations; that it is opposed to what Litvinov calls "indivisible peace." It was, therefore, not merely the rude method and unexpected haste of the British action that irritated France. The action ran counter to some of the deeper French convictions.

Most Frenchmen would say: "It is all very well for you English to agree with Germany upon naval and air forces. That is all you worry about. But we have to worry about land forces as well. And there is very little chance of getting Germany to limit her land forces unless we deal with all three branches together."

On the whole, Eden fared better in Paris than might have been expected. His conversations of June 21 and 22 with M. Laval covered a wide scope. They dealt with the effect of the naval agreement on the general European situation rather than with the terms of the agreement. At the end M. Laval issued a statement quite cordial in tone. After intimating that the two governments wished to return to the Franco-British proposals of Feb. 3 and find means of realizing them, he concluded: "Mr. Eden and I agreed in recognizing that France and Britain should remain faithful to their common duty, and work in the closest collaboration to build up peace by the organization of collective security."

European peace so obviously depends upon continuous Franco-British understanding and collaboration that any real rift is unthinkable. The French may feel—and with justice—badly hurt, but they could afford to forget a much graver injury than this in the interests of a common front.

The French Government's cordiality toward London cannot really be shaken. But the French press, always flighty and irresponsible, continued during the next fortnight to let off steam. Its most ill-natured and dangerous proposals had to do with Italian designs upon Ethiopia. Since England had shown so little regard for "League principles," argued the *Intransigeant*, *Soir*, *Echo de Paris*, and other newspapers, France would do well to cease opposing Italian ambitions in Eastern Africa. "Any other

course," wrote Jules Sauerwein, "will end in a breach between Italy and the League and in profound disturbance of France's Italian policy in Central Europe."

This is the more alarming because M. Laval has always set great store by Italian friendship, and has resisted Mussolini's aggressive attitude toward Ethiopia much less vigorously than the British. Indeed, a secret understanding on the subject has been suspected in many quarters ever since the Franco-Italian agreement some months ago, which gave Italy a share in the French railroad from Jibuti to Addis Ababa. It remains to be seen whether M. Laval will really follow the line indicated by the Paris press.

In Rome also Eden met with a rather chilly reception. But this was very clearly because of the Ethiopian question rather than the Anglo-German agreement. Italy was by no means so disturbed by the naval treaty as was France. Governmental circles took the view, according to trustworthy reports, that the German Navy was likely to have become a much greater menace without any such treaty. A curb was not unwelcome. The Italians are more alarmed by increases in the French fleet than in the German fleet. They hope that Great Britain will calm the French fears so that new building programs will not be necessary.

But the Italian press, government and (apparently) people have now worked themselves into a state of great excitement over the Ethiopian question. British "interference" is much resented. Eden met as much newspaper hostility as Mussolini thought discreet. The government had announced that Mussolini and he would discuss the naval treaty alone, and that Ethiopia would not be mentioned. But, as it later appeared, Ethiopia was the more important topic and Eden fell far short of obtaining satisfactory assurances.

ETHIOPIA'S PERIL

By the end of June it was clear that the chances of an Italo-Ethiopian war were nine in ten. M. Laval was reported as having told the Foreign Affairs Committee on June 19: "War in Abyssinia is now practically inevitable." As foreign criticism of his policy grew, Mussolini simply used it to strengthen his position at home. Nor did he conceal his contempt for the possibility of League interference.

There appeared to be only two substantial hopes for preserving the peace. One lay in firm Anglo-French cooperation to restrain Mussolini by threats and, if necessary, by closing the Suez Canal. The other lay in action to bribe Mussolini to desist; that is, in getting Ethiopia to offer him large concessions, perhaps to be supplemented by British and French grants in East Africa as well. After the naval treaty, the hope of firm Anglo-French resistance (always weak) seemed to fade.

Captain Eden's trip to Rome on June 23-24 was largely concerned with an exploration of the second possibility—that of bribing Mussolini to show a little regard for League principles and the rights of weak peoples. He announced in the Commons on July 1 that Great Britain had offered to cede a strip of British Somaliland to Ethiopia, giving her direct access to the sea; this being contingent on territorial and perhaps other concessions by Ethiopia to Italy. Mussolini had rejected the plan. The offer, according to Sir Samuel Hoare, then lapsed. Captain Eden added that he had told Mussolini that Great Britain "could not remain indifferent to events which might profoundly affect the League's

future," since all British policy looks toward strengthening the League. But he did not reveal Mussolini's rejoinder.

The British offer of an all-round territorial adjustment was of course roundly denounced by the Italian press, which now wants matters to go to an extremity. It was also denounced by French newspapers on the ground that if Ethiopia were given a coast her trade through the French port of Jibuti would be lost. This trade, both import and export, amounted to less than $10,000,000 in 1933-34—but that is worth having.



The port of Zeila, in British Somaliland, was reported to have been offered to Abyssinia in return for Abyssinian concessions to Italy

For obvious reasons Mussolini has never made an explicit statement of his real intentions and demands. But the Italian correspondent of *The New York Times* stated on June 25 that Mussolini had told Eden that he did not covet all Ethiopia; that he would respect those regions in which Britain had interests; but that Italy needs "a vast agricultural area" and would not be content with limited annexations or railway rights. "He was emphatic on the point that no compromise would be acceptable that did not provide an outlet for Italy's surplus population."

It is not strange that, as the tiger creeps nearer and prepares his spring, Ethiopia has shown signs of desperation. If by Aug. 25, according to the ruling of the League Council, conciliation and arbitration have not effected a settlement, then the League will intervene. But Ethiopia places little faith in the League. On June 20 she sent a pathetic plea to the Secretariat, saying that the situation "has gone from bad to worse." She proposed that the Council station neutral observers at her expense on the frontier to observe events. Italy prepared to resist this proposal, if necessary, by every means. But it was not considered, for the League wishes to keep hands off till Aug. 25. Finally, on July 3, the Emperor Haile Selassie appealed through The Associated Press to the United States.

"Ethiopia is independent and will remain so," he wrote. "We will not consider any concession of a political or territorial nature. At the same time, we will not accept any limitation of our sovereignty or independence." He accused Italy of attempting to extinguish Ethiopian freedom and to seize Ethiopia's lands. And he concluded with an unquestionable truth: Along with Ethiopia "is menaced the

whole system of peaceful settlement of international disputes which has been so laboriously worked out since the World War." The United States has had to leave effective labor in behalf of Ethiopia to Great Britain. But many Americans will catch in that sentence of Haile Selassie's the spirit of Woodrow Wilson's great work for peace. It is that work, or what remains of it, that Italian greed and Mussolini's personal ambition are endangering. Mussolini would tear down the entire temple of peace at Geneva to add to his "empire" a little segment of the most inhospitable part of Africa.

Viscount Cecil of Chelwood told a London meeting on July 1 that "if the members of the League of Nations fulfill their pledges there is no doubt that peace will be maintained." Two days later the British Cabinet held its first meeting since Captain Eden's return from Rome. It was later reported that it had concluded that the only effective course to pursue was to resort to Article XVI and by means of its sanctions prevent Mussolini from waging his much-desired war. Such a drastic course would require much courage.

TWO INTERNATIONAL MEETINGS

The nineteenth session of the International Labor Conference opened at Geneva on June 4, with the United States, the Soviet Union and Afghanistan taking part officially for the first time. On June 24, in one of the most important meetings of the world's representatives of business since the great depression began six years ago, the International Chamber of Commerce began in Paris its eighth biennial congress.

Both these meetings had features of exceptional interest. The American spokesmen at the I. L. O. conference played a prominent and effective part, and it was largely due to their activities that the conference on June 20 approved the principle of the forty-hour week without a reduction of the standard of living. Since the I. L. O. at the time of its establishment favored a forty-eight hour week, the step is regarded as a notable advance. But as yet it represents only the erection of a new objective. The next step will be to obtain agreement upon the application of the forty-hour principle to specific industries. Before breaking up, the conference voted for the establishment of a forty-two-hour week in the glass-bottle industry. Proposals for fixing standards in public works and the metal, coal and other industries were postponed.

The discussions of the International Chamber of Commerce showed once more that two questions are in the foreground of business interest throughout the world—the reduction of trade barriers and the stabilization of currencies. The two are of course inextricably connected. Before the sessions ended on June 29 the Chamber adopted a number of resolutions bearing upon the abolition of interferences with trade. It condemned two policies dear to the heart of the Roosevelt administration—the national regulation of crops and bilateral trade agreements, at least unless accompanied by most-favored-nation clauses. It also resolved that the statesmen of the world should hold immediate consultations upon currency stabilization. But the British delegation had previously pronounced for the "wait and see" policy of its own government; and their spokesmen had warned the Chamber that Great Britain cannot act upon stabilization until the next general elections are out of the way.

Looking Forward to 1936

By CHARLES A. BEARD

TO seasoned observers American political events in the midsummer seemed to turn largely on preparations for the campaign of 1936. There were signs in Republican circles that leaders of the Old Guard were girding their loins for a contest like that of 1920 if not of 1896.

Perhaps, after all, the Democrats might be turned out of office on a few simple issues: Stabilization of the currency on a gold basis, abandonment of "tinkering" with the monetary system, reduction of Federal expenditures, a balanced budget, a curtailment of the national debt and "a free hand for business," coupled of course with tariffs, subsidies, bounties and loans from the Treasury. As the days passed and the indices of industry showed no evidence of a firm upward turn, hopes founded on such a program gathered strength. Except for Monroe in 1820, no President had ever weathered a panic, and it appeared reasonable to suppose that a continuance of the present crisis would lead to a repetition of history—the ousting of the party that had enjoyed its chance. If Republicans were able to wring another victory from "the bloody shirt" in 1880, they might be able to wring another victory in 1936 from the grand old slogan of "turn the rascals out." At all events the dream was not wholly fanciful.

Yet matters were in fact not simple in the Summer of 1935. To be sure the conference of Midwestern Republicans from "the grass roots" (and the pavements of Chicago) which was held at Springfield, Ill., adopted on June 11 a series of articles presenting the face of simplicity. They boldly declared their faith in the Constitution, the separation of powers, the maintenance of "our American political and economic systems as established by our forefathers," States' rights, a free press, "the competitive system," and "individualism and individual enterprise" as opposed to any form of "collectivism." All this was true to verbal form.

But when the assembled Republicans at Springfield came to their "constructive proposals for action" they did not "plump for anarchy plus the police constable." On the contrary they favored many forms of collective action.

They approved "the principle of collective bargaining, the representatives of labor to be of labor's own choice." They came out against child labor and endorsed the regulation of the employment of women in industry. They recognized "that the security of our citizens demands government aid in the establishment of old-age and unemployment reserves." They declared that the farmer "is of right entitled to a fair and proportionate part of the national income and to receive a parity price." Then they turned to government for help. "We endorse the enactment of such legislation, approved by the farmers themselves, as will accomplish such purposes. * * * The machinery of Federal Land Bank loans should be used to refinance farm-mortgage debts at low

rates of interest." While standing by "reasonable tariffs," the Republicans condemned the "arbitrary restrictions" (of other countries), "such as quotas and exchange restrictions." They recommended "research by the government" looking to the creation of new outlets in industry and agriculture. They favored "continued protection to farm and home ownership and continued provision, in cooperation with State and local governments, for those that are in need until private industry absorbs the present army of the unemployed."

When, later in the month, Young Republicans of New York State assembled to make their declaration of faith for the coming campaign, they too struck notes that had a "collectivist" ring. In preparation for their meeting on June 22, their board of governors drew up a platform containing features which shocked conservatives, including one for putting the unemployed to work in industries in a manner suggested by Upton Sinclair's EPIC scheme in California. These radical plans were rejected by the assembly, but a resolution was carried submitting them to a new committee for further study. In the platform as adopted, the open secret was mentioned—that American industry can produce billions in weath now unproduced and that something should be done about it. The declaration of faith also included specific endorsements: Continuance of Federal unemployment relief until employment is restored, unemployment insurance, old-age pensions, right of labor to bargain collectively, abolition of child labor, abolition of sweat-shop conditions, profit-sharing, minimum wage laws, slum clearance, rehousing of the people, Federal aid for highway construction, reduction in the profits of middlemen for the benefit of farmers, more effective regulation of utilities, and coordination of plants to improve service.

Bureaucracy was denounced in the customary language. So was government competition with private industry. A plank proposing an amendment to the Federal Constitution authorizing a broad program of social legislation was voted down, but a sound currency and fixed gold standard were approved.

The Young Republicans of New York had scarcely adjourned when their brethren in New England assembled at Eastern Point, Conn. The latter also found themselves divided, but the conservative faction was not permitted to dominate the scene. In the end no declaration of faith was adopted. Instead, the conference agreed on deploring "conditions in this nation," but concluded that "attacks upon the administration unaccompanied by a constructive program will not advance the interests of the Republican party." So the consideration of a program was postponed until an Autumn conference, announced for September. But fifteen issues were presented for later study. They included unemployment relief, economy in government, interstate compacts for labor, veterans' compensation, taxation, protection of the textile industry, monetary problems, regulation of utilities and anti-trust laws.

Young Republicans seeking to plot the "new" normalcy were given encouragement on the last day of June by the announcement, somewhat cryptic, that ex-President Hoover would not be a candidate for renomination. This news was reported as coming from Republican Senators in the shape of a statement that Mr. Hoover will "formally announce late this Summer that he will not seek the Republican nomination for President next year."

Presumably he might be drafted, as Calvin Coolidge might have been in 1928, but at all events he was not engaged in an open quest for the honor.

Events following the new declarations of faith by Republican leaders at Springfield, Ill., did not indicate an immediate return to the political and economic systems of our forefathers, at least the forms which they took in 1865 or 1789. Whether for campaign purposes or not, President Roosevelt surprised Congress and the country on Wednesday, June 19, by sending a special message urging a revision of the Federal tax program with a view to accelerating "the movement toward progressive taxation of wealth and of income," and "encouraging a wider distribution of wealth." His language did not imply that wealth is the pure fruit of "individual" labor and enterprise. "Wealth in the modern world," he said, "does not come merely from individual effort; it results from a combination of individual effort and of the manifold uses to which the community puts that effort. * * * The people in the mass have inevitably helped to make large fortunes possible. * * * The ownership of wealth represents a great public interest and a great ability to pay." Against the existing system of taxation the President lodged a fundamental objection: "Our revenue laws have operated in many ways to the unfair advantage of the few, and they have done little to prevent an unjust concentration of wealth and power." Then he referred significantly to perils ahead: "Social unrest and a deepening sense of unfairness are dangers to our national life which we must minimize by rigorous methods."

But the President's concrete recommendations were couched in general terms. He suggested an inheritance tax on "all very large amounts received by any one legatee." He proposed a definite increase in the taxes now levied upon "very great individual net incomes." For the flat rate of tax laid upon corporations, he advised the substitution of a graduated income tax. The last proposal he accompanied by two monitory remarks. He said that the corporation income tax law might make "such classifications of business enterprises as the public interest may suggest to Congress," and that "bona fide investment trusts that submit to public regulation and perform the function of permitting small investors to obtain the benefit of diversification of risk may well be exempted from this tax."

When President Roosevelt's message on the taxation of wealth was read in the House and Senate, Progressives and left wing Democrats rejoiced in the sanction for an immediate attack on concentrated wealth. Even Senator Long greeted it with a hearty "Amen," and soon afterward addressed an open letter to the President commending his proposal. The Senator conceded that the wind had been taken out of his movement and that if the program were pushed the President would "take 200,000 share-the-wealth clubs" into the New Deal forces. Progressive leaders drew up a round-robin favoring immediate efforts to enact the proposed program into law and indicated their willingness to stay in Washington until victory was achieved.

After a conference in the White House, administration leaders in Congress announced that an attempt would be made at once to frame the new measure and carry it through the legislative body. It is true that the President had not given a bill of specifications. He had suggested a heavy tax on very large inheritances, a heavy tax on very large incomes, and a graduated tax on corporation incomes. If

his hints were to be taken as guides, then the middle classes were to escape and large fortunes and incomes were to be taxed more heavily.

When Congressional leaders, however, came down to cases and began to consider precise rates, schedules and brackets, their will to action faltered. A proposal to attach the new program to the bill continuing "nuisance taxes," and pass it before the latter lapsed on June 30, was abandoned. The President retreated from a position that had seemed to command immediate legislation. Embarrassed by his apparent reversal of pressure, administration leaders steered the temporary excise taxes through both houses and announced that it might take two months to hold hearings and enact the new distribution-of-wealth program into a statute. Meanwhile the program was subjected to a barrage of criticism. On the right it was assailed as an attack on wealth and virtue. On the left it was criticized as a subterfuge limited to the taxation of a few great fortunes and incomes—a subterfuge which allowed the well-to-do middle classes to escape their burdens and promised no considerable revenue for a distressed Treasury.

The reception accorded the President's tax message by the press ran true to political form. Republican editors found it "an essay in rashness," a spiteful reaction to defeat in the NIRA case, a bid to "the Kingfish," an "aggravation of fear," and "a blow to recovery." Conservative Democratic editors expressed similar views, with less bitterness, but those of the liberal wing welcomed it as "a social philosophy" founded on sound principles. In one quarter it was interpreted to mean that President Roosevelt had turned his back on the "planning" conceptions embodied in NIRA and had gone over to the Brandeis-Frankfurter school in its war on "the curse of bigness." Control of the present highly centralized economy, this school urges, is impossible; let us use taxation and prosecution in a campaign for dissolution and disintegration. In another quarter the message was taken to mean that the President intended to couple taxation with credit control under the Eccles banking bill, the financing of railways and industries, public works, "yardsticks" and holding-company regulation, in another line of attack on planning. An announcement on June 29, after a White House conference, stated that the President had in mind calling shortly a general "convocation" of industry, labor and consumers, promoting a comprehensive survey of policies for a new NIRA and preparing, on the basis of thorough studies, a broad program of industrial control for submission to the next Congress.

However viewed, President Roosevelt's tax message stirred up a heated discussion throughout the country. It was taken to imply, and in fact did imply, that "the natural distribution of wealth" under the economic system inherited from our forefathers was not satisfactory, and it proposed government, or collective, intervention in that historic process. The theme certainly was not new to Americans who knew any history. Nor had the consideration of it been confined to Populists and Democrats.

In this connection special significance was attached to a speech delivered on June 30 by Senator Vandenberg, who is regarded as a potential candidate for the Republican Presidential nomination. The Senator did more than denounce. He characterized the administration's tax proposals as "a mere sop to political strategy," and declared that they would not yield revenue to overtake

the mounting deficit or redistribute wealth "pursuant to the demands of those whom the President would placate." But the Senator went beyond criticism. He opposed the increase in corporation taxes as a burden on nascent industry. Then he presented a positive program. He proposed to widen the base of income and inheritance taxes to include the great body of the middle class and bring in a huge revenue to counter the deficit and prevent inflation. Although he did not limit his scheme to the taxation of "the very rich," as contemplated in the President's message, Senator Vandenberg declared his belief in "using inheritance taxes for social objectives." Income taxes he reserved for revenue purposes. "If we are to have a new Tax Bill," he exclaimed, "let it be a real bill and not a mere political appeal to mass prejudice." Supported in his position by at least twenty-two Progressive Republicans and Democrats in the Senate, Mr. Vandenberg gave notice to the country that the coming tax battle was to be fought on a broad front.

Besides countering the challenge of the "grass roots" Republicans and taking the wind out of Senator Long's sails, President Roosevelt served notice on the "gold bugs" that they would lose all chances for redeeming gold bonds in gold or at a higher valuation than other Federal paper. In a message to Congress on June 27, he urged the passage of legislation authorizing the Treasury to pay the holders of gold-clause securities in present currency or give them non-gold-clause bonds, at their election. He also advised Congress to "terminate any consent which the United States may have voluntarily given to be sued on its securities, coins, or currencies." These proposals were advanced to clear up the uncertainties left by the decisions of the Supreme Court in the gold-clause cases. The Court had declared unconstitutional the repeal of the gold-clause in its retroactive aspects, but had stated that the particular complainants at the moment had not proved any losses in fact as a result of the repeal. This left the way open for private parties to bring suits in Federal courts in efforts to show that they had sustained losses. By withdrawing the right of suing the government, President Roosevelt indicated, such litigation could be stopped and the currency policy of the administration protected from additional attacks.

If the "collectivist" trend was to be reversed, as proclaimed by "grass roots" Republicans, organized labor lent no countenance to the hope. While the American Federation of Labor was helping to push through Congress the Wagner Bill sanctioning collective bargaining, the Railway Labor Executives Association on June 20 declared in favor of "the immediate taking over of the railways * * * by the Federal Government, and the creation of agencies within the Federal Government to manage and operate the railways." The association, in adopting this positive position, criticized the control of railways by financial interests and asserted that roadbeds and equipment had been allowed to deteriorate to the point where the safety of the public and operatives was menaced. This, of course, was not entirely new. As long ago as 1919 the railway brotherhoods had sponsored government ownership in the form of the plan proposed by Glenn E. Plumb, their general counsel, but the association's scheme marked a departure from the syndicalist features of the older Plumb Plan. When the railway executives laid their project before Senator Wheeler, chairman of the

Senate Interstate Commerce Committee, he responded by saying that government ownership was "the only solution for the railroad problem at the present time."

Support for some kind of additional government intervention came later in June when the Chicago & North Western and the Chicago, Milwaukee & St. Paul Railway Companies served notice that they would file petitions for reorganization under Section 77 of the Bankruptcy Act. For a time it had seemed that these and other lines in peril of default would be able to readjust their debt burdens by voluntary agreements with security holders. Numerous public statements from the Reconstruction Finance Corporation had foreshadowed a fortunate outcome for such private negotiations in connection with its good offices. But it would appear that the task of scaling obligations and making new agreements by negotiations among interested parties was far from easy, and that resort to the coercive powers of the Federal Government was necessary. With only a few railway companies in a fairly satisfactory condition and no upturn of net income in sight, railway managers and bond committees were compelled to consider drastic action. Meanwhile, Congress took steps to amend Section 77 in such a way as to reduce the power of minorities among security holders and permit quicker decisions in reorganization proceedings. Emancipation of railways from government aid and control was indefinitely postponed—pushed forward into the unknown future.

Nor did it appear that "the competitive system" and "private initiative" offered at Springfield, Ill., in exchange for the New Deal were in a fair way to dispose of the housing problem, or that the administration pointed its expectation in that direction. Near the middle of June the Housing Division of the Public Works Administration published a report on "Slums and Blighted Areas of the United States" that indicated several shortcomings in the "system of our forefathers." The survey stated that more than one-third of the people live in dwellings and neighborhoods of such a character as to "injure the health, endanger the safety and morals, and interfere with the normal life of their inhabitants." It found that the houses on 5,000,000 farms and 6,000,000 houses in villages, towns and cities—that is, 36 per cent of the human shelters in the United States—were "definitely substandard." Having presented these findings, the Housing Division rendered a verdict on the capacity of competition and individual enterprise to cope with the degradation revealed. "The time has come," it declared, "for private enterprise to abandon an impossible task and let the community take it over."

News about NRA gave no greater promise of a return to "the system of our forefathers." If, as some wit said, the Supreme Court decision in the NIRA case left nothing of the Blue Eagle save "a feather in the hat of Herbert Hoover," it became evident late in June that the idea of "regimenting industry" was still in circulation. Stripped of nearly all operating powers by judicial decision and extended in skeleton form for another term, the National Recovery Administration, under the new chief, James L. O'Neil, began to survey the wreck and to shape new policy. An NRA advisory council, appointed by President Roosevelt, immediately started the consideration of a comprehensive program to be submitted to Congress in January. It was announced that the

President was eager to prevent a collapse of the price and wage structure established under the codes, and that such a collapse, if accompanied by public reaction against it, would give him ammunition for pressing a Constitutional amendment authorizing a broad Federal regulation of industry. The caution of the Department of Justice in refraining from a program of vigorous prosecution under the anti-trust laws gave color to the theory that the forceful dissolution of industries was not contemplated. That view of the issues involved was strengthened by later news to the effect that the President and the NRA were surveying the whole ground and preparing a comprehensive substitute for the system shattered by the decision of the Supreme Court.

Meanwhile other "collectivist" measures made their way in Congress. The Social Security Bill, passed by the House, was adopted by the Senate after modifications were made, especially a concession to the private insurance business, and sent to a conference committee for the finishing touches. The Guffey Coal Bill was advanced, with fair prospects of acceptance, despite the fact that it applied, in effect, the principles of NIRA to a combination of capitalists and organized labor under Federal regulation. A new railway pension bill, designed to escape the ban imposed by the Supreme Court in its recent decision, was introduced in the Senate and House, at least as a preliminary to another campaign on the issue.

On July 5 the Wagner Labor Disputes Bill received the President's signature. The act declares it to be the policy of the United States to eliminate or mitigate certain substantial obstructions to "the free flow" of interstate commerce by encouraging and protecting the practice and procedure of collective bargaining, and by assuring to workers full freedom of association and the right to representation by agents of their own designation. It declares certain labor practices on the part of employers to be "unfair": Dominating, interfering with or contributing financial or other support to the formation or administration of any labor organization, discriminating against any employe on the ground of membership in any labor organization, discriminating against any employe for filing charges or giving testimony under the act, and refusing collective bargaining with representatives of employes duly constituted.

Provision is made for the creation of a National Labor Relations Board, composed of three members chosen by the President with the consent of the Senate. The board is empowered to supervise, where necessary, the choice of labor representatives, to make rules and regulations for carrying out the act, to hear complaints of unfair practices and to issue orders directing persons to cease and desist from unfair practices. The board is also authorized to apply to specified Federal courts for appropriate decrees enforcing its "cease and desist" orders. In carrying out its duties the board is to enjoy wide powers of investigation and examination; and penalties are imposed upon all persons who willfully impede or resist its agents and operations. Nothing in the act, however, is to be construed as impeding or diminishing in any way the right to strike.

This long-debated measure was greeted as a triumph for organized labor and collective bargaining and also with vehemence as "a delusion and a snare." Experience under the act was awaited. To pave the way for the new labor act, President Roose-

velt had on July 1 continued the old Labor Relations Board (under NRA) for one month and extended indefinitely the National Steel Labor Board and the Textile Labor Board.

On the same day the Glass subcommittee of the Senate Banking Committee reported to the latter body the hotly contested Eccles Banking Bill with modifications. In its new form the measure was a compromise apparently acceptable to Senator Glass and Senator Fletcher, who had been reported at loggerheads. Despite the open opposition of private bankers, the amended bill kept in the hands of "political appointees" that form of control over credit known as the supervision of open-market operations—the buying and selling of government securities. It added to the committee empowered to exercise this control five members from the twelve Federal Reserve Banks, but appointive Federal Reserve Board members were increased to the number of seven, and will therefore constitute a majority of the committee engaged in controlling open-market operations.

That other controverted aspect of the New Deal, the Agricultural Adjustment Act, remained on the carpet. Several amendments, some designed to escape the dicta of the Supreme Court in the NIRA case, were approved by the House and reported favorably to the Senate. They did not, however, indicate any substantial modification of the crop-control program already in force and extensively endorsed by the ballots of participating farmers cast at informal elections held by the authority of the Department of Agriculture. Yet signs were not wanting that the whole scheme would be challenged at the next term of the Supreme Court. It had been successfully attacked in various Federal courts of inferior jurisdiction, and manufacturers had launched a heavy barrage against the processing taxes levied for the purpose of compensating farmers who made crop "adjustments." Perhaps, as hinted by President Roosevelt, AAA may be mowed down by the Supreme Court when it assembles next Autumn for the first time in its new palace of justice.

On only one of the major items in its "regimentation" program did the administration suffer a setback in Congress. That was the provision in the Utility Holding Company Bill which called for the compulsory dissolution by 1940 of all "intermediate concerns." This provision, somewhat loosely known as "the death sentence," was incorporated in the measure by the Senate after a sharp battle, in which Executive influence was brought forcibly into play. When the bill reached the House rumors of a "revolt" broke. On June 19 they were confirmed when a subcommittee of the Interstate Commerce Committee reported the bill to the full committee with "the death sentence" eliminated and a substitute provision added. For compulsory dissolution the new clause permitted the Securities Exchange Commission to investigate holding companies, simplify their structures, or dissolve them, as the public interest might require. After a bitter contest waged through the various stages of procedure, the House on July 2, by a record vote of 323 to 81, passed its own bill with "the death sentence" eliminated and its substitute provision intact.

This struggle was marked by terrific pressures in the lobbies. On the one side were ranged the agents of the embattled utility concerns. They built a huge backfire among Congressional constituents in all parts of the country and flooded the members with

appealing and menacing telegrams. They also employed in Washington all the tactics known to their trained profession. On the other side President Roosevelt denounced the utility lobbyists openly; and sponsors of "the death sentence," speaking with or without his authority, brought pressure to bear in favor of the provision, employing, it was alleged, even threats of administrative reprisals. So great were the passions aroused that the House ordered an investigation into the influences exerted on both sides by utility lobbyists and by official or unofficial spokesmen of the administration.

When news of the defeat in the House reached Senator Wheeler, sponsor of the President's plan in the Senate, he expressed the hope that a satisfactory compromise might be worked out in the conference committee. If such a result cannot be obtained, he added ominously, the issue will be carried to the country. In that case spokesmen of the New Deal will be advocating a dissolution of controlling concerns and the restoration of freedom and competition for small units; and opponents will be pleading for the integration of economic control and government regulation "in the public interest." Thus there may be some confusion in the ranks at Armageddon.

Reform Politics in Canada

By J. BARTLET BREBNER

INSTEAD of yielding the reins to a successor, Prime Minister Bennett has been pushing the remainder of his "New Deal" legislation through the Canadian Parliament in his old, dominant way. Cabinet solidarity, however, has been conspicuously absent. Ministers have confessed the doubtful constitutionality of their measures or quarreled about it, and the Conservatives as a whole have shown no signs of agreement upon what platform they would fight the general election in August or September.

Much of the legislation was considerably amended to secure certain passage. But Mr. Bennett refused to be stopped, so that in Ottawa, as in Washington, men talked about "calculated unconstitutionality" as a means of educating the voters to demand constitutional revision. If the Conservatives win the election, they can retreat from sweeping social reform on constitutional grounds. If, as seems more likely, the Liberals win, they have promised to repeal most of what has been enacted.

During June bills in various stages of enactment were before Parliament. No legislation was as secure as H. H. Stevens had demanded, nor as that recommended by the Royal Commission which he initiated and over which he once presided.

Amendments to the Companies Act, introduced on June 5, did not abolish no-par stock, but regulated corporate structure, voting rights and stock operations by directors and officials, and required public statements of a corporation's solvency. Secret rebates and other similar devices had already been dealt with by amendments to the

Criminal Code, while minimum wages and maximum hours were covered by acceptance of the International Labor Office conventions. The bill for a Trade and Industry Commission, introduced on June 6, set up an advisory, instead of an executive or judicial, body which might recommend to the Cabinet legalization of production and price agreements to meet wasteful and demoralizing competition and prosecution of offenses against fixed commodity standards.

Permissive legislation for revaluation of the Canadian dollar was introduced on June 13. The government, it was contended, must have power to act if Great Britain and the United States (with whose currencies approximately the old parity has been maintained) should begin stabilization negotiations. The new Bank of Canada holds all the gold reserves, but the commercial banks would be allowed the profit on $15,000,000 of their deposits. The Treasury stood to gain about 62,000,000 sixty-cent dollars, which were to be used for an exchange fund in gold, exchange or currency to iron out fluctuations caused by Canada's heavy transactions in London and New York. At the same time, E. N. Rhodes, Minister of Finance, asked authority to refund up to $750,000,000 of government obligations, although less than $300,000,000 were due to mature before October, 1936.

The Liberal Opposition clamored for a speedy end to the session so that they could go out and win the election and solve Canada's problems in a constitutional way. Most of the Provinces had Liberal administrations, practically all of them anti-Conservative ones. New Brunswick's election of June 27 was a complete turnover. In 1930 there were 31 Conservatives and 17 Liberals. This time, the Prime Minister, L. P. D. Tilley, and his entire Cabinet were defeated. A. A. Dysart and his Liberal followers captured 43 out of 48 seats and were disputing 3 of the 5 Conservative constituencies. Ontario was openly contemptuous of the Ottawa government, and T. D. Pattullo, Prime Minister of British Columbia, announced that his Province was beginning in the courts to demonstrate the Dominion's unconstitutional infringement of Provincial rights.

THE RECKONING IN WHEAT

Conservatives made a great bid for the farm vote of the three Prairie Provinces with their Grain Board Bill of June 10, which drastically revised an earlier draft after criticism from the Western cooperative pools. In this matter the Liberals had a fight on their hands and had to substitute specific criticism for recrimination and generalization.

The board of three, with seven advisers, was to be in complete control of buying, storing and selling the field crops of Manitoba, Saskatchewan and Alberta. The constitutional question of Federal recognition of storage was met by a declaration that elevators were works for the general welfare of the Dominion. Mr. Bennett, under fire, accepted the Liberal suggestion that the bill be discussed in committee, but he himself became chairman and waged most of the war with his critics, declaring that government operations since 1930 had prevented chaos and had protected the Canadian grain-grower from international speculators. He made it clear that his government would see that the farmers got a "fair price" for their wheat.

The government, it was revealed, owns outright or has bought contracts for about 225,000,000 bushels of wheat. Since this figure was 25,000,-

000 bushels more than the visible supply, Mr. Bennett's claims of malicious short selling seemed to be justified. The Prime Minister refused to reveal detailed costs of these purchases, but it was generally believed that the average price paid had been 87 cents a bushel.

Distress selling would break the world market, so that the surplus must be disposed of gradually to a bargain-conscious world. In the circumstances, the Treasury loss was estimated at $35,000,000 to $40,000,000—if the grain could ever be got rid of.

The government's holdings are menaced by the prospect of a bumper crop this year. Even the drought-stricken areas have had heavy rains. Sowing, to be sure, was delayed from ten to thirty days and abnormal rain and cloudy weather increased the rust menace, but 400,000,000 bushels was the usual crop forecast. Since other countries also have good crop prospects, Western Conservatives were clamoring for an election before the harvest while 80-cent wheat blinded the farmers to the almost impossible task of selling about 600,000,000 bushels.

The Liberals could not wholly oppose either the Grain Board or the "fair price," but they did demand that the scheme be temporary and that as much grain as possible be sold at world prices, with a subsidy system to relieve the growers. Their philosophy convinced them that in the long run price would control production.

On July 2 the bill, as amended for its third reading in the Commons, revealed fundamental changes. The compulsory character of the board's monopoly was made permissive and was to come into force only if the marketing system created by the bill should collapse. The board was to fix a minimum price independently of future quotations, and to buy only from producers. Thus the Winnipeg Grain Exchange would survive, government stabilization operations in futures would cease and the farmer would have his choice in the matter of markets.

SOCIAL UNREST

Canada, like the United States, has met the problem of the single unemployed man by setting up labor camps. These have never been satisfactory, for the Dominion Government, disliking a responsibility which, under the Constitution, was hardly its own, expended nothing like the money or thought which went into the CCC experiment in the United States. Labor was provided but was not compulsory; the men received 20 cents a day pocket money.

After premonitory rumblings in Ontario and elsewhere, an explosion occurred in the form of a two months' strike in the camps of British Columbia. In early June the men decided to move on Ottawa and 700 left Vancouver on the tops of freight cars with the intention of rolling up a great movement. The railways could not prevent them from "bumming" rides, the public was friendly and service clubs even organized drives for their support.

Regina, Sask., was the next focal point and Mr. Bennett sent two Cabinet Ministers there to see the men and stop them. Eight were brought back to Ottawa, where they were rebuffed after a heated interview with the Prime Minister, who considered the whole business a Communist plot. Detachments of armed Royal Canadian Mounted Police were rapidly concentrated in the west to stop the march. A clash in Regina on July 1 resulted in the death of one Re-

gina policeman, fatal injuries to two mounted police and injuries to about 100.

ONTARIO AND THE BANKERS

The Liberal government of Ontario has for months been in bad odor with financiers because of legislation permitting the abrogation of power contracts signed by its Conservative predecessors and upon which private power companies had in part based their bonded indebtedness. Overt war broke out on June 12 when no bids were submitted for a Provincial bond issue of $15,000,000. Prime Minister Hepburn charged the investment bankers with conspiracy and set about defeating the blockade.

He broke a tacit agreement between the Bank of Canada and the other banks by raising the interest on savings accounts in the Provincial banks from 2 to 2½ per cent. It was announced that many new banking branches would be opened, particularly near the border, so as to attract American funds. His Minister of Agriculture announced regretfully that the Province must discontinue its farm loans. Then Hepburn rapidly withdrew his $15,000,000 offering, substituting $20,000,000 to be sold directly to the public. He sweetened the bargain by making the bonds short term and by increasing slightly the interest return.

As the Province is in excellent financial condition, the response was immediate and, despite the extemporized arrangements, the loan was oversubscribed. The victory was a hard pill for the bankers to swallow and Mr. Hepburn was delighted to report divisions in their ranks.

Mexico's President Defies Calles

By HUBERT HERRING

PLUTARCO ELIAS CALLES retired from the Presidency of Mexico in 1928—and has ruled ever since. He placed Portes Gil in office, and then Ortiz Rubio; when Ortiz Rubio, an elder statesman, showed signs of preferring his own men to those of Calles, the grizzled "Chief of the Revolution" pulled him down with scant courtesy. Calles then put Abelardo Rodriguez in office to serve out Ortiz Rubio's uncompleted term, and at the end of it nominated Lazaro Cardenas for the office. Cardenas assumed office last December, and trouble began. Cardenas soon showed signs of being unwilling to accept the dictation of the veteran chief. The break finally came in June.

It was an issue between Calles and Cardenas. Calles, who in 1925 was labeled Communist by rebellious oil interests, has become the sign and symbol of Mexican conservatism. The lovely village of Cuernavaca, from which I write these lines, has been made dreadful by rows of lumbering palaces of gleaming plaster and gilded angels. At the centre of it sits the Chief of the Revolution, Calles. Cuernavaca is also the capital of the State of Morelos, where the revolution first flamed out in the death-carrying battle cry of the Zapatistas, "Land and Liberty." Perhaps the peon ponders that earlier cry as he makes his weary way with a heavy burden on his back past those ornate palaces.

Lazaro Cardenas is of another order. He still lives modestly in an unfashionable section of the capital, and takes the revolution seriously. Land spells liberty in his lexicon, and he stands for the liberty of his people. As soon as he had taken office, the distribution of the land was resumed. Furthermore, he treats with all seriousness the provisions of the Mexican Constitution dealing with labor.

Those labor articles are a sore point with the industrialists of Mexico—Mexicans and foreigners alike. They give labor the whip hand in any dispute. When a strike is declared in any shop, the strike legally closes that shop until the proper tribunal has handed down its decision. Though the labor code has unquestionably been used in high-handed fashion, President Cardenas has made it quite clear that he proposes to stick by the Constitution—and by labor. Thus encouraged, an epidemic of strikes broke out. The tramway workers, taxi and bus drivers tied up traffic, the Mexican telephone company shut down and a score of other strikes were in the offing. In the meantime, the Cabinet of President Cardenas was splitting upon these many issues. The conservatives followed Calles, and the radicals backed Cardenas. The Mexican Congress was split along the same lines.

Calles on June 12 summoned a group of Senators to Cuernavaca and gave an interview designed to cut the Gordian knot. He pointed out the dangers inherent in the situation. He warned against the division on lines of personal loyalty—those for Calles, those for Cardenas. He reminded the Senators that the same situation developed in 1932 under President Ortiz Rubio when a division on personal lines, followed by his warning, was swiftly followed by the retirement of Ortiz Rubio. He went on to profess his boundless friendship for Cardenas but to express alarm for the effects of his policy. He denounced the widespread strikes as wanton ingratitude of labor toward a government which sought to protect their rights. Such actions, he said, were not only ingratitude but treason. He defended the tramway company and the telephone company—both foreign-owned corporations.

The moral of the lecture was clear. It was a warning to Cardenas. It said in effect: "Accept my advice or step down." Ortiz Rubio, faced with the same ultimatum, had weakly sought to propitiate Calles and had then been forced out. Many thought that Cardenas would follow the same course. But for once Calles seemed to have met his match. The 40-year-old President did not flinch. He asked for the resignation of all his Cabinet. Chiefs of departments known to be actively allied with Calles were dropped. A general whose fervid letter of congratulation to Calles was intercepted by the government was summarily removed from his command. The dominant groups in the Mexican Congress who had promptly journeyed to Cuernavaca to congratulate the Chief of the Revolution upon his ringing challenge promptly switched and announced their devout adherence to Cardenas. Overnight Mexican officialdom became robustly Cardenista. Only the army maintained a discreet silence. The old generals have seen too many revolutions and have learned to think twice before placing their bets.

The popular reaction to the crossing of swords between the great chief and the young President were various. Business interests, followed by a host of petty officeholders, applauded Calles. Labor groups loosed a cry of rage against him and agraristas joined in.

It was a revolutionary move in Mexican life. For eleven years Calles's word has been law. Calles promptly called in his friends and announced that his words had been seriously misunderstood; that he had no desire to provoke dissension, and that he was leaving immediately for his ranch in the State of Sinaloa. Speculation was rife as to his intentions. Some expected him to organize rebellion in the north and to unseat Cardenas. Others insisted that, first and last, Calles is a Mexican patriot, and that he believes in democratic procedure and could be counted upon to do nothing to add further confusion to the scene.

Cardenas proceeded with unexpected vigor and large dignity. The Calles sympathizers were retired from office. Ex-President Portes Gil, a middle-of-the-road man of great sagacity, assumed the leadership of the National Revolutionary party. The President on June 17 appointed a Cabinet of trusted friends, and a new régime was under way. The members of this new Cabinet were, for the most part, men little known in the national life, but were favorably regarded for their honesty of purpose. They are known to be in sympathy with the socialistic theories of the President, but they form a sober, hardworking group.

The church question did not appear as one of the issues in the controversy, but it holds an obstinate place in the near background. The Roman Catholic forces organized a demonstration in the midst of the crisis on June 16. Taking advantage of the presence of 5,000 Rotarians, the Catholics staged a parade of 15,000 persons through the streets of the capital. "We are parading for religious liberty," they told the Rotarians, "the religious liberty which you enjoy in your own country."

Men and women hopeful of a friendly settlement of the church question find comfort in the appointment of General Saturnino Cedillo to the Ministry of Agriculture. General Cedillo was formerly Governor of the State of San Luis Potosi, and has ever since been the dominant figure in that State. Because of his peaceful influence, San Luis Potosi has been kept as a zone of sanity in the whole church struggle. Priests from other parts of the country have found asylum there. Cedillo stands close to the President, and it is confidently predicted that his influence in the new Cabinet will make for a more generous and just settlement of the bitter controversy. He was received with an ovation by representatives of the church and of the National University, which is strongly Catholic in sentiment.

Predictions on the course of events in Mexico are dangerous. Only one thing seems clear: Mexico's peace is still quite largely in the hands of General Calles. At a word he could plunge the country into fresh strife. He has not said the word, and many of his warmest admirers believe that he will not say it.

CUBA REGAINS A CONSTITUTION

President Carlos Mendieta and Colonel Fulgencio Batista have ruled Cuba for eighteen months without benefit of Constitution. There had been no semblance of constitutional order since Aug. 12, 1933, when Gerardo Machado fled in an airplane, the first steps in that long flight which has taken him from the Bahamas to New York, Santo Domingo and Europe. The Congress which did his bidding also fled, went to jail or dropped out of sight. Now at last Cuba again has a Constitution. On June 11 the original Constitution of 1901 was resurrected, in somewhat refurbished form,

and signed by President Mendieta and the members of his Cabinet and the Council of State. The instrument under which Cuba will again achieve constitutional status includes provision for general elections in December and legalizes the National Sanctions Court, a military tribunal which has apportioned death sentences to political dissenters with rather lavish hand.

The promise of the restoration of constitutional procedure evoked little enthusiasm in the island. Cynical memories of previous constitutional régimes and profound distrust of the present rulers dominate whatever there is of a public mind. Cubans close to the government aver that enthusiasm for the Constitution centres in the American Embassy, and that but for Ambassador Jefferson Caffery Cuba would continue in its extra-constitutional way for a good while to come. It was stated to me in June that the President, Carlos Mendieta, perhaps believes in the constitutional course, but that his wishes count for little; that Fulgencio Batista believes in the Constitution not at all, but yielded to the American Ambassador in order to keep the peace.

The Cuban political scene, as it had developed by the end of June, furnished an illuminating footnote to the whole story of American relations with the island. We have heartily forsworn the business of intervention; we have cut the umbilical cord, the Platt Amendment, and have ordered Cuba to find its own sources of official nourishment. All this is on the record. The Cubans forthwith repeated their old errors, and a first-rate dictatorship was in the making.

The rôle of the American Ambassador has again become the moot issue. Is he to be an Ambassador, in the strict and proper sense, or is he to be virtually a Colonial Governor? The latter course is ruled out by the letter of the covenant. The former does not work, or at least it has not yet been tried. No strictures need be hurled at the innocent head of Mr. Caffery. He holds an impossible job. The fault lies not with him but with the volcanic action which placed Cuba on the doorstep of the United States. The more vocal Cubans, stopped from defying nature, vent their spleen on Mr. Caffery, and vow that he is ruling Cuba in spite of all Washington's fair promises.

Not many Cubans believe that the United States proposes to keep hands off. They are convinced, rightly or wrongly, that as long as American citizens own the bulk of the productive wealth of the island the United States will, whenever Cuba shows signs of again being disorderly, force the island into good behavior through military or diplomatic intervention. They believe that the only way in which Cuba can escape American domination is by being good—that is, by being constitutional. This is the argument which impels many of them to shout, with muffled enthusiasm, for the Constitution and the elections scheduled for December.

The month of June saw all political groups jockeying for position, and political leaders, old and new, making up their minds where to throw their lot. The strange quirks of politics were showing their tenacity. The old discredited parties and leaders slowly were forcing their way back to leadership, while the newer leaders, to which Cuba looked with such confidence on the fall of Machado two years ago, are in exile or forced into the background.

By the end of June it appeared that the two dominant parties in the coming elections would be a coalition in

which the Liberals (the party of Gerardo Machado) would dominate, opposed by another coalition, the Conjunto Nacional Democratica, in which the Conservatives, of which ex-President Menocal is titular chief, would hold the whip hand. It appeared that the first group, headed by the Liberals, would gather in the Marianistas (the vest pocket party of Miguel Mariano Gomez, former Mayor of Havana and son of an ex-President), the Nationalists (the party of President Mendieta) and the Constitutional Socialists (a small group, headed by Carlos Manuel de la Cruz).

The Liberals still maintain a strong hold upon the affections of the Cuban hinterland, which was never greatly troubled by the barbarities of the Machado régime. The leaders of the Liberals are confident. They count upon the support of the American Ambassador (although certainly with no word of encouragement from him); upon American financial interests, who will see in "liberal rule" protection for their extensive holdings; upon foreign sugar interests, who wish to rid themselves of the onus of the Grau labor legislation still in force; and upon all the quiet but still powerful Machadistas who have a large financial stake in the restoration of constitutional guarantees.

Opposing the Liberal coalition is the Conjunto Nacional Democratica. Mario Menocal has played a waiting game. He has left the shouting to others, and counted upon their wearing themselves out. He has stepped softly while the ABC marched and proclaimed, while the Autenticos and Joven Cuba have hatched their plots. Today Menocal bids fair to assume the leadership of the Opposition. He has dropped the old Conservative banner, trusting thereby to encourage forgetfulness of his record in the Presidential office. He is hoping to gather in the opponents of the Mendieta-Batista régime, and to capitalize upon the substantial body of public opinion which wishes to strike at old abuses.

These two probable coalitions occupy the centre of the stage. Out in the wings are the groups and leaders chiefly responsible for the overthrow of Machado, those whom Cuba regarded with so much hope. There are Joven Cuba, backed by the fiery and, in many cases, idealistic youth of Cuba and said to have a war chest of over $500,000 with which to finance revolt; the Autenticos, led by Ramon Grau San Martin, and the badly disorganized ABC. The leaders of these sectors are chiefly in exile in Mexico, Miami and New York. From these vantage points they plot revolution.

The Cuban Army has been greatly expanded and wages are paid. Colonel Fulgencio Batista is shrewd. Furthermore, Cuban economic conditions have greatly improved, and the vast mass of the Cuban people are lethargic. The revolutionists must contend with this lethargy and also with the widespread sense of frustration. Hosts of the more intelligent Cubans have lost faith in the possibility of any greatly improved political lot in the island. They accept the restoration of constitutional government sardonically, expecting little, hoping little. They appear willing to let the erstwhile companions of Machado and Menocal do their political thinking for them. In the meantime, the eager young idealists talk excitedly in the hotels of Mexico, Miami and New York.

TRUCE IN THE CHACO

The order to "cease firing" was flashed on June 14 to the armies of

Bolivia and Paraguay, and the Chaco war, which had raged for three years, came to at least a temporary halt. The agreement to call a twelve-day truce, with the expectation that it would be followed by a definite armistice and orderly peace negotiations, relaxed the tension under which these two weak republics had been living for the three years of this peculiarly insane and useless war. (See the article "Behind the Chaco War" on page 468 of this magazine.)

Peace, which the League of Nations seemed unable to bring about, and which baffled the committees of the Pan-American conference of 1933, came at last—if these tentative moves indeed mean peace—largely because of the work of Carlos Saavedra Lamas, Argentina's Foreign Minister. Others shared the credit, but Saavedra Lamas was given the lion's share.

Sheer exhaustion played its part. For three years Bolivian Indians from the high plateaus had been driven by their white officers into the tangles of the fever-ridden jungles. The two republics have lost not less than 100,000 men. Paraguay has been bled white, and will require decades to repair the loss to her man power. Her victories have been imposing but ephemeral. She has won territory, but her able-bodied manhood is decimated. Bolivia, on the other hand, has lost heavily, but the losses have fallen chiefly upon her Indian population. She is left with serious issues in her internal life. The war has stirred the Indian to fresh questioning of his status in that highly feudal State.

The agreement signed on June 12 outlined the somewhat complicated steps by which the two nations, and the nations under whose auspices they were brought together (Argentina, Brazil, Chile, Peru, Uruguay and the United States), hope to build a final peace. The first step was a twelve-day truce which would afford time for the Congresses of the two countries to ratify further plans. This truce was formally ratified by both Bolivia and Paraguay by June 21. In the meantime, a neutral military commission entered the war zone and began the fixing of the positions to be maintained until further steps could be taken. The next step was the demobilization of the two armies to a maximum strength of 5,000 men each.

These steps accomplished, the plan called for a peace conference in Buenos Aires, to be organized by the Foreign Ministers of the mediating powers, with the exception of the United States, which was to be represented by Hugh Gibson, Ambassador to Brazil. The plan provided that if the peace conference so organized failed to evolve a satisfactory compromise, the controversy would be submitted to the Hague Court for final settlement.

Universal satisfaction was manifest throughout South America. The Chaco war has stuck like a burr in the conscience of all the States. This was apparent throughout the sessions of the Seventh Pan-American Conference in Montevideo. The obstacles were many. The rivalries of Bolivia and Paraguay were serious enough, but the jealousies of Chile and Argentina threatened to wreck the whole procedure, and may still serve to complicate the negotiations.

Britain's New Cabinet at Work

By RALPH THOMPSON

WHEN the British Parliament reassembled on June 17 after a ten-day recess it was with full realization that a general election was not far distant. Yet Stanley Baldwin's newly reconstructed National government seemed sure of office for a few months at least, and there was important legislative work to be done. The House of Lords had on hand the Government of India Bill, already approved by the Commons. The Commons was confronted by the Ribbon Development Bill and by the prospect of formulating the long-overdue revised unemployment assistance regulations and dealing with the so-called distressed areas.

What was the state of business and industry? The tone was generally buoyant. One sector was highly pleased by an agreement reached at Luxemburg on June 4 whereby the British Iron and Steel Federation and the International Steel Cartel apportioned among themselves the principal European markets. Thanks to the government's use of the tariff as a threat, British manufacturers had been able to procure a larger share of the home market than they had had in 1934, and labor, as a consequence, was assured of more employment. Further jubilation in industrial circles came on June 5 when Neville Chamberlain, Chancellor of the Exchequer, announced that government credit would be used to guarantee the principal and interest of about £35,000,000 in securities floated to provide funds for the electrification of London and suburban transport.

Was this sort of aid to big business to be Britain's public works system and the National government's answer to Mr. Lloyd George's much-talked-about New Deal? Certainly the wartime Prime Minister's national development program had been in Cabinet hands for a long time (since March 14) without receiving either positive blessing or positive condemnation. On June 21 the Commons agreed to Mr. Chamberlain's electrification guarantee, while Mr. Lloyd George sat by silent. He had ten days before delivered himself of another scheme, a plea for the banding together of those who despaired that the government would ever achieve peace with the world and prosperity at home. If the government chose to delay its decision on the New Deal, the country at large would, when election time came around, have a chance to utter a prompt Yes or No to these new proposals.

Parliament was concerned not merely with matters of domestic importance. On June 20, preliminary to a vote for Dominions Office supplies, J. H. Thomas, Dominions Secretary, presented the Commons with a review of Imperial conditions. The Ottawa agreements, he said, had amply justified themselves; all the Dominions, as well as the United Kingdom, showed a budget surplus "and a certain tendency toward restored prosperity." The meat discussions, it is true, had thus far been pushed to no conclusion, but in time even this vexing matter would be solved. As for the South African protectorates, Mr. Thomas ex-

plained that he and Prime Minister Hertzog were in complete agreement; transfer to the Union of South Africa would take place only after the protectorate inhabitants, European and native, had been consulted and after Parliament had been given an opportunity to express its views.

Newfoundland, Mr. Thomas went on, had done remarkably well under its new administration and showed signs of overcoming the conditions because of which it had had to relinquish its autonomy. With the Irish Free State relations had been somewhat improved, and the coal and cattle agreement effected early in 1935 would soon, it was hoped, be followed by other agreements as mutually satisfactory.

This was an optimistic speech, beyond doubt, and certain of those who rose in the Commons to ask Mr. Thomas embarrassing questions regarded it as far too optimistic. Yet it was of peculiar interest because only a fortnight before a judgment of the Judicial Committee of the Privy Council had broken still another link in the chain that binds the Dominions to the United Kingdom. On June 6 the committee declared that in view of the Statute of Westminster Canada had the right to bar appeals to the highest British court in criminal cases and the Irish Free State had the right to abolish appeal to the Privy Council in all cases. No longer, in other words, were the Dominions subject to British law.

Inevitably this decision set up in the minds of many a train of thought regarding the position of the Dominions in a future war. The conference of Dominion Prime Ministers held in London at the time of the King's Jubilee had not issued a public statement on this point, and there were those who felt that Britain's naval agreement with Germany and its effect on the general European situation had increased rather than lessened the chances of conflict. The only comfort lay in the fact that a huge unofficial peace ballot, concluded on June 27, showed unmistakably that at least

Britain's Peace Poll

(January-June, 1935)

	YES	NO	DOUBTFUL	ABSTAINING
Should Britain remain a member of the League?	11,090,387	355,883	10,470	102,425
Are you in favor of an all-round reduction of armaments by international agreement?	10,470,489	862,775	12,062	213,839
Are you in favor of an all-round abolition of national military and naval aircraft by international agreement?	9,533,558	1,689,786	16,976	318,845
Should the manufacture and sale of armaments for private profit be prohibited?	10,417,329	775,415	15,076	351,345
If one nation attacks another should other nations compel it to desist by:				
(1) economic non-military measures?	10,027,608	635,074	27,255	855,107
(2) by military measures if necessary?	6,784,368	2,351,981	40,893	2,364,441

Total votes cast, 11,627,765.

10,000,000 British voters favored the League of Nations, general disarmament and the abolition of the private manufacture of arms. The continuing public sittings of the British arms inquiry, moreover, brought out that on this last point such experts as Dr. Christopher Addison, former Minister of Munitions, were in substantial agreement with the sentiment of the electorate.

ANGLO-IRISH RELATIONS

It was in regard to the Irish Free State that the Privy Council's judgment of June 6 seemed of greatest significance. In substance the ruling gave the Free State Parliament the power to abrogate the whole or any part of the Anglo-Irish treaty of 1921, since that treaty and the Free State Constitution founded upon it are merely British statutes in law. As a matter of fact, however, President De Valera and his government had gone upon this assumption for quite some time. Now that an official coup de grace has been delivered, an opening has been made for a new treaty more satisfactory than the old.

Throughout the month of June there were other indications of an approaching Anglo-Irish understanding. Even though Mr. De Valera indicated in the Dail on May 28 that he intended to abolish the post of Governor General, thereby negativing the official representation of the British Crown and making the Free State for all practical purposes a republic, he countered the following day by stating his policy on a matter that must be settled before any genuine negotiations between the two countries can begin. "I can say definitely," Mr. De Valera asserted, "that so far as this government or any other Irish government is concerned, our territory will not be permitted to be used as a base for attacking Great Britain."

By June 22 Dublin reports indicated that the Free State Government was seriously engaged in drafting a new treaty founded on these points: That a republic would not be declared until the Irish people, by plebiscite, had ordered it; that the Free State would always aid in defending Britain against aggression and would never permit an enemy to use Free State soil as a base of operation. Britain, in turn, would agree to the idea of a plebiscite whenever it was called, would countenance the abolition of the Governor-Generalship and the inclusion of its titles and duties in the post of President of the Executive Council, and would forego the jurisdiction it now enjoys over certain Irish ports.

Mr. De Valera also had his hands full with domestic political matters. On June 8 General Eoin O'Duffy reasserted his leadership of the Blue Shirts, stating publicly that he would fight the government in the next general election and that if he were elected President of the Executive Council he would immediately establish for all Ireland, including Ulster, a republic based on the idea of the Italian corporative State. The Irish Republican Army and its more radical wing known as the Citizen Army continued to show themselves politically alive, if not sufficiently well-organized to become a serious threat to Fianna Fail. Yet Mr. De Valera succeeded in spiking the guns of at least one of his political opponents. On June 29 he stated to a County Clare audience that he had definitely set his face against all subversive armed movements, Blue Shirt or Republican. Thus the man who not many years ago was a fiery guerrilla leader committed

himself beyond question to the cause of constitutional government. Mr. Cosgrave and his supporters have found one of the chief props of their case against the government knocked away.

AUSTRALIAN PUBLIC WORKS

On May 30 the Australian Loan Council agreed to a total loan program for 1935-1936 of £31,000,000 (approximately $125,000,000), of which more than five-sixths will be spent on public works. The Loan Council was set up more than ten years ago to prevent the several Australian States and the Commonwealth itself from clashing over the matter of raising loans. This year's meetings indicate, however, that there are still opportunities for trouble. The State of Victoria, represented by Premier Dunstan, came into direct conflict with New South Wales over allocations; Victoria wanted more than she had been promised and resented that New South Wales should have so much. At the end of a long and acrimonious discussion, the public works money was divided as follows: Commonwealth, £5,750,000; New South Wales, £8,000,000; Victoria, £4,000,000; Queensland, £3,000,000; South Australia, £2,100,000; Western Australia, £2,600,000; Tasmania, £600,000. A Commonwealth loan of £12,500,000, opened on June 11 to provide a portion of the funds, was not completely subscribed—which may be taken as evidence that the Australian public has a limited enthusiasm for government loan programs.

NORTHERN RHODESIAN RIOTS

Although Northern Rhodesia is one of the less important British territories in Africa, it has twice figured in recent news dispatches. On May 28 began the celebration of the opening of the new territorial capital at Lusaka, where an entirely modern city has sprung up as a result of the moving of the seat of government from Livingstone. A few days earlier there broke out serious disturbances among native laborers in the copper mines at Nkana, Ndola and Luanshya.

On May 27 four Royal Air Force troop-carriers on their annual flight from Capetown to Cairo were suddenly ordered down at Lusaka. There they took aboard two platoons of the Northern Rhodesian Regiment and flew to Ndola, where, on the previous day, rioting natives had clashed with police. On May 29 a mob of strikers wrecked the Roan Antelope mine compound offices at Luanshya and six were killed in a subsequent struggle with troops. Further armed forces were immediately dispatched by air and special train from Southern Rhodesia and the Transvaal, and by June 1 order was restored.

The cause of the rioting, which at one time involved over 9,000 natives, was apparently the introduction of a higher poll tax despite the warnings of those best acquainted with the situation. By June 15 it was reported that the new tax was being paid, but at the same time there was evidence that much local indignation had been aroused because of the personnel of a committee of inquiry appointed by the government—the objection being that government servants were not the proper persons to conduct an inquiry into government policy. At this writing it appears that these complaints have been heeded and that representatives of the natives, the government and the judiciary will share in the investigation.

A Challenge to French Liberties

By FRANCIS BROWN

IN France the exciting days of early June were followed by weeks of relative calm. As the Laval Cabinet got down to work, the sense of panic died away, and, while there was nothing in business conditions to justify optimism, the immediate crisis had undoubtedly been overcome. But once again were heard the low rumblings of civil discord that boded no good for the future.

It is nothing new for the Third Republic to be split into two camps—the Right and Left. Since the days of the Second Empire Frenchmen have given their allegiance to conservative or liberal parties and these have repeatedly clashed. But of late the clashes have been more violent, and there have been broken heads on many occasions, most notably in the Paris riots of Feb. 6, 1934. Both alignments have shown increased militancy with the passing of months and, because of the general attack on parliamentary institutions outside as well as within France, the rivalry has taken the form of fascism versus anti-fascism.

The most prominent Fascist group is the Croix de Feu, a war veterans' organization, which apparently has the sympathy, if not the active support, of conservative elements in the country. In June this organization, after a period of inactivity, suddenly stepped into the open. As a result its opponents of the Left raised their voices in protest and moved for direct action against what is regarded in many quarters as a definite threat to the republic.

In the Chamber of Deputies on June 20 members of the Left called attention to a Croix de Feu demonstration near Algiers in which thirty airplanes had participated. According to Léon Blum, the Socialist leader, Colonel de la Rocque, head of the Croix de Feu, told his followers at Algiers that during the recent Cabinet crisis their society let it be known that if Edouard Daladier entered the government "there would be sport." Daladier has never been forgiven for his ruthless suppression of the February riots. M. Blum asked in the Chamber whether such intimidation had actually occurred and, if so, in what quarter. Debate was avoided after Premier Laval had insisted that other and more important matters required the attention of the Deputies.

Perhaps it might have been urged that M. Blum was suffering from a bad case of nerves had not the Croix de Feu given plain evidence that it meant business. On the night of June 22, Colonel de la Rocque addressed 20,000 men at a secret meeting outside Chartres. Speaking in the light of thousands of torches, he declared that "the hour is near when the French people must rally to our banner." The following day a similar gathering was held at Clermont-Ferrand. Meanwhile, members of the Croix de Feu at Maubeuge had rioted with the Socialist-Communist common front after the latter had tried to break up a Croix de Feu parade.

There were other signs to give the

Left cause for worry. Colonel de la Rocque's secret assemblies might after all be only play-acting; fighting in Paris between semi-Fascists and radicals might be dismissed as unimportant. But no one could overlook the significance of Jean Chiappe's election on June 24 to the Presidency of the Municipal Council of Paris. M. Chiappe, who was Prefect of Police until the February riots, has become the hero of the anti-Parliamentary or Fascist elements in Paris and thus his election seemed an open challenge to the Left. With these warnings came a new pronunciamento from former Premier André Tardieu, who has long been recognized as a force in quarters which dislike French democracy. When early in June he broke an extended silence to declare that "both intellectually and morally the Parliamentary milieu is low-grade," the Left felt it had reason to expect a new attack upon the republic and its liberties.

But the Left has not been napping. At the annual convention of the Socialist party at Mulhouse on June 9, the fight against fascism was the principal topic of discussion. Paul Faure, secretary of the party, asserted: "I believe the proletarian forces in the Paris suburbs alone are sufficient to break the Fascist attack." He went on to outline methods of defense should Paris fall before the Fascists, and when the convention rose two days later it had approved the general strike as a major weapon. Preservation of a common front with the Communists and intensification of propaganda were also voted by the delegates, who were controlled by the moderate elements of the party.

As an even more direct response to Fascist activity, an appeal for a nation-wide demonstration on July 14 was issued at the end of June by the Leftist Popular Front, which claimed to represent forty-eight different groups. The appeal declared that the workers and peasants would "defend democracy, disarm and dissolve the seditious leagues and place our liberties beyond the reach of fascism."

This appeal had considerable political significance for in it the Radical Socialists joined with the Socialists and Communists. Though the Radical Socialists—the largest French party—have been divided between moderates and extremists, the appeal for a demonstration on Bastile Day indicated for the first time that the extremists led by Edouard Daladier had prevailed over Edouard Herriot's moderates. M. Herriot was so agitated by the new development within his party that he threatened to resign its presidency unless the party remained united. In regard to the Bastile Day affair he said that the party "must celebrate the Fourteenth of July with dignity and not in the spirit of revolt."

At a meeting of the party's central executive committee on July 3, a truce was patched up between the Right and the Left. M. Herriot agreed to resign in October as head of the Radical Socialists, meanwhile retaining his membership in the Laval Cabinet. After insisting that the Radical Socialists carry the tricolor in the Bastile Day demonstration, he approved their participation with the common front.

Seemingly the younger Radical Socialists have tired of compromise. Not only did M. Daladier threaten to take a huge assembly of Left-wing supporters to Paris on July 14, but he warned them that he would be prepared "to throw off servitude to the bankers and to the Fascist forces." Pierre Cot, former Air Minister and also a Radical Socialist, is another prominent leader of the extremists.

At Chambéry on July 1 M. Cot marched in a procession of Socialists and Communists behind the Red flag.

Though the possibility of strife between the Right and Left was apparently exaggerated, much depends upon the trend of French economy. That trend continues steadily downward. Foreign trade for the first five months of the year dropped 2,365,000,000 francs from the total for the same period of 1934, and since imports accounted for 1,719,000,000 francs of this amount, a good idea of the decline in industrial activity can be obtained. Though employment showed a slight improvement, the number of unemployed remained in the middle of June 32 per cent above the figure for the same date a year ago.

In the world of finance, matters seemed much improved, even though the improvement was perhaps more apparent than real. The flight of capital ceased as soon as the Laval Cabinet received its vote of confidence, and as the month wore on gold began to trickle back into the Bank of France. The bank statement published on June 27 showed that the gold reserves had risen by about 45,000,000 francs in the preceding two weeks. Meanwhile, the discount rate had been reduced on June 20 from 6 per cent to 5 per cent, a move which led *Le Temps* to declare that "the acute phase of the franc crisis" had passed. A fortnight later, on July 4, the rate was again reduced, this time to 4 per cent.

Exactly how sound was the position of the franc was a question that remained unanswered. The issue of deflation or devaluation having been settled temporarily in favor of deflation, the Laval government began to pare expenses so that the budget might be balanced. Foreign observers did not hesitate to point out that any real balance could be obtained only by a return of prosperity; without a balanced budget, moreover, it seemed impossible for France to escape devaluation, and prosperity seems to shun the Third Republic.

The budget deficit is still a matter of guesswork, estimates reaching in some instances as high as 16,000,000,000 francs. English sources declared that the Treasury would have to borrow at least 11,000,000,000 francs in the open market, a difficult task when public confidence is at low ebb.

The Cabinet on June 18 approved a plan which was expected to cut railway expenses by about 1,250,000,000 francs. The plan forecast administrative changes and revised rate schedules. The next step was to reduce the government's contribution to the social insurance fund from 620,000,000 to 220,000,000 francs.

Before the French Chamber adjourned on June 28, it enacted a law for the relief of small businessmen who purchased their businesses before July, 1933. If such an individual can show that his average profits for the past two years declined one-third in comparison with the two years preceding the purchase, he may obtain cancellation of the full interest due on his payments. This move, besides relieving debtors, will, it is hoped, help to reduce the price of retail goods, thus lowering the cost of living.

How far the Cabinet would go in its attempt to balance the budget could not be ascertained, for if the government has a definite plan of action it had not been made public on July 1. But with the adjournment of Parliament it was certain that decrees on economies would begin to be published, and since Parliament will not reassemble until Autumn, M. Laval and his colleagues should have a breathing-spell in which to work out their program.

The Nazis and the Church

By SIDNEY B. FAY

DURING the early Summer the conflict between the German State and the Roman Catholic and Protestant denominations was confined to the realm of words. This was apparently in accord with policy; as Dr. Frick, Minister of the Interior, explained on June 2 to zealots who complained that the pace of the Nazi Revolution was too slow: "Rome was not built in a day. The Church conflict can no more be settled with a policeman's black-stick than the Jewish question can be settled by smashed windows." Likewise Bernhard Rust, Minister of Education, sounded a note of conciliation on June 22: "We do not want a *Kulturkampf* [Church and State conflict], because we will not gain but lose through one. We are for peace and equality. I ask the church representatives and Bishops to cooperate with me. Go to your churches, but come under our banners."

Yet monks and nuns had been recently fined or imprisoned for violating regulations on the smuggling of money out of Germany. When a subordinate member of the Breslau Roman Catholic Episcopate made a public statement of sympathy on their behalf, implying that the Nazi courts had been unjust and stating that "a cooler and final judgment of the cases must be left to a later date," a vigorous protest came from the Minister of Justice. He rejected the insinuation that there had been any miscarriage of justice and asserted that the condemned persons had been perfectly aware that they were breaking the law. The inspired Nazi press also attacked the Roman Catholics. Feelings cooled down when the Cardinal Archbishop of Breslau issued a statement distinguishing between the Catholic Church and the accused individuals of the Catholic orders and declaring that it was not the intention of his episcopate "to take a stand against the sentences passed thus far or to raise any accusations against German justice."

Protestant pastors, meeting in a Confessional Synod at Augsburg on June 5 and 6, passed a unanimous resolution in favor of continuing the struggle against Reich Bishop Ludwig Mueller, and agreed to set aside all doctrinal differences with this end in view. They announced that a united Opposition Church, consisting of the Lutheran and Calvinist sections in South Germany and of the United Church in the North, had been achieved. They also drew up a dignified but energetic manifesto in favor of religious freedom and unrestricted ecclesiastical instruction. Citing the law of July 14, 1933, by which the German Government guaranteed the constitution of the German Evangelical Church of July 11, 1933, they declared that "pastors, elders and other members of the community have nevertheless been exposed, for the sake of their Christian faith and confession, to measures such as are imposed on enemies of the State, on criminals and on disturbers of the public order."

This manifesto was read on July 21 at a great rally in Berlin attended by some 15,000 Confessional Synod ad-

herents, led by 102 Bishops and pastors, including most of the prominent members of the opposition to Reich Bishop Mueller. The people were admonished to remain faithful: "If you cannot gather in your churches, then assemble all the more loyally in your homes for the sake of God's Word." The rally took place without interference by the police, but at the same time it was reported that twenty-five Opposition pastors had been forbidden to preach, and that ten others had been banished from their parishes.

A few days later it was announced by the Nazis that a special "office to settle litigation concerning the Protestant Church" had been created in the Ministry of the Interior. All conflicts between the pastors and the State are to be handled by this new office, the decisions of which will be final. Special problems may be turned over to the regular courts. Minister of the Interior Frick will formulate the rules governing the new office, which started work on July 1.

The Summer solstice offered devotees of the neo-pagan movement in Germany an opportunity to light bonfires on mountain heights and to address millions of Hitler Youth on the subject of Germanism. General Goering, for instance, lighting the solstice fire on the Hesselberg, near Nuremberg, declared: "If our opponents think it is neo-paganism when we espouse the greatness of our ancestral history, then let them call it that. If they call our pilgrimage to these old cult places heathenism, let them. But let them not object if we prefer to come together here to lift up our hearts to the idea of our Fuehrer rather than listen to the chattering of quarrelsome clerics. No church has been built so beautiful, so great, so mighty and so strong in faith as the dome of God over this mountain. If others say we have cast aside our faith, then we ask them when there has been in Germany deeper or more passionate faith than today. When has there been a stronger faith than the present faith in our Fuehrer? * * * There never has been a greater miracle than in our own time. This miracle of the Almighty has been performed through Adolf Hitler—a miracle of the resurrection of the German people."

ANGLO-GERMAN NAVAL PACT

The Anglo-German naval agreement outlined in a British White Paper of June 18 aroused great enthusiasm in Germany. That Great Britain should have aided in nullifying the naval clauses of the hated "dictated" Treaty of Versailles took much of the sting out of the censure passed by the League of Nations on April 17 for Hitler's unilateral repudiation of the military clauses. Britain had apparently endorsed Hitler's belief that it would be better to proceed piece-meal toward the limitation of armaments instead of trying to get all nations to settle all rivalries in one complete and perfect agreement. Furthermore, the new naval pact was a big step toward friendlier relations in Europe in that it seemed to break the united front against Germany adopted by Great Britain, France and Italy in their fourfold program of Feb. 3, 1935, and their subsequent meetings at Stresa and Geneva. Some Berlin newspapers did not fail to point out that the date of the new agreement was the 120th anniversary of the Battle of Waterloo, when British and Germans were linked closely to end French domination in Europe.

Italy on the Eve of War

By William E. Lingelbach

Further steps have been taken to indoctrinate Italy in accord with the ideas of the totalitarian State and the prospect of a war with Ethiopia. On June 12 *The New York Times* was banned from the country for an indefinite period. On the evening of the same day David Darrah, veteran correspondent of the *Chicago Tribune,* was summarily expelled. Previously a number of English newspapers, notably the *Manchester Guardian* and the London *Daily Herald,* were excluded at the same time that German Nazi papers, barred since the Dollfuss affair in 1934, were readmitted. The *Times* had aroused Mussolini's ire by repeating Premier Baldwin's strictures on Italy's African policy and his comments on the temporary character of dictatorship in general.

These moves against the foreign press are indicative of Mussolini's sensitiveness to criticism, although the failure of a similar effort in the early days of the Fascist régime and Mussolini's own experience as an editor should have made him aware of their futility. The fact that the Fascist press is entirely official makes foreign criticism particularly irksome; Italian political and military news is handed out by the Fascist Press Bureau in Rome, headed by Mussolini's son-in-law, Count Ciano.

Further evidence of the military mind in Italy was offered during past weeks. Soldiers, army motor cycles and motor lorries filled the cities and towns, while at the seaports thousands of troops and workmen embarked at the rate, it is reported, of two shiploads a day. Recruits from all parts of the country entered military camps near Salerno for sixty days' intensive training preparatory to joining the forces already in East Africa. These are concentrating in the region of Asmara, the capital of Eritrea, located in the uplands, in order to get away from Massowa and the coastal area, where the intense heat, shortage of water and lack of sanitary arrangements have caused much suffering.

Meanwhile, the press and radio continued to whip up public sentiment to a fever pitch. *La Tribuna* and other journals went to the length of accusing Abyssinia of designs on Eritrea and Italian Somaliland. Great Britain was once again charged with raising obstacles to Italian expansion. "The British Empire," declared *Il Giornale d'Italia,* "is very wealthy, very populous and very widespread, and we respect it, but Britain owes her vast empire not only to the enterprise of her citizens but also to unscrupulous conquests. England already holds half of Africa, and we know how she got it. If we admit that she is doing good by civilizing what she holds, she must admit our right to do the same."

Similar sentiments were expressed by Mussolini on a surprise visit to Sardinia on June 8. On the occasion of the embarkation of a large contingent of troops for Africa, he shouted, "Black Shirts of Cagliari, we have old and new accounts to settle, and we will settle them! We will pay no attention to what may be said beyond our own frontiers. We will imitate to

the letter those who presume to be our schoolmasters! They have shown that when it is necessary to create or defend an empire they do not take into consideration the opinion of the world."

How Italian finances will stand up under the strain of a war remains to be seen. The budget for the financial year 1935-36 takes no account of the extraordinary expenditures for the Abyssinian venture. Minister of Finance Paolo Thaon di Revel told the Senate that the cost of the expedition would be cared for in a separate budget. Even the ordinary budget, however, shows a deficit of 1,702,000,000 lire (the lira is currently about $0.08). Revenues are estimated at 17,988,000,000 lire, a falling off from the 1930-31 income of 2,399,000,000 lire.

Compared to other national deficits this may not seem alarming, but Italy is a poor country. About twice the size of New England, she has five times its population. She has no coal, iron, oil, rubber or cotton, the materials basic to all modern industrial development. Indeed, it is this disparity between population and resources that is the principal reason for Mussolini's venture into African imperialism. Italy needs room to expand, she needs colonies, and she needs the raw materials which are supposed to lie behind the Abyssinian ranges. Having had to buy these, Italy has found her trade balance growing progressively worse despite stringent tariffs, quotas, exchange controls, licenses and bartering.

Foreign trade for 1934 declined about 4 per cent from that of 1933. But this figure does not tell the whole story. According to Professor Guarneri, head of the Italian Foreign Exchange Department, exports declined 12.8 per cent, while imports increased 3.2 per cent. To alter this trend, the government on June 9 announced that from July 1 the import of a large number of raw materials would be subjected to the license system already applied to cotton, coal, copper, coffee, oil and seeds. The articles affected by the new measure include coke, tin, lead, steel, copper products, scrap and pig iron, chemical fertilizers, fresh butter, fish, oils and fats, rubber, newsprint, paper and rags.

The reason for this drastic measure is that between Dec. 10, 1934, and Feb. 28, 1935, withdrawals from the Bank of Italy to meet payments for imports had totaled 2,000,000,000 lire. The low wage scale, the stubborn resistance to price and rent reductions, the heavy tax and debt burdens and the unfavorable trade balance were making it increasingly difficult to adhere to the gold standard and maintain the lira at its high stabilization value. By the "battle of the wheat" Mussolini had made it possible for Italy to feed herself, and she is making herself independent of foreign tobacco. But basic raw materials must still be gotten from abroad and by routes controlled by other powers.

POLITICS IN SPAIN

Premier Lerroux's Coalition government has maintained a firm hold on the Spanish political situation. On June 6 martial law was extended for another month after fresh disturbances marked the recent relaxation of police control. Three days later, fearing further trouble, the Cabinet, which now includes five representatives of Catholic Popular Action, ordered a complete ban on all political meetings until further notice. Loss of life in recent disorders in Aragon was given as the reason for the order.

Yet political unrest seethes throughout the country. Before the ban was

applied, two great mass meetings had been held—one at the monastery of Ucles in the Province of Cuenca, where Gil Robles, Minister of War and head of Catholic Popular Action, addressed 50,000 young men. Leftist groups met at Valencia; 80,000 people filled a stadium to hear former Prime Minister Manuel Azaña attack the government in these words: "We must work to re-establish a republic, one much better than that proclaimed on April 12, 1931. Spain needs peace, tranquillity, social justice; not merely in words, but in fact." There is reason to believe that Azaña and other leaders of the Left, notably Prieto, former Minister of Justice, now in exile, are making strenuous efforts to unite all Leftist factions for concerted action.

Since the general elections of November, 1933, which sent to the Cortes a Right-Centre majority, and more especially since the uprising of last October, the governments that have followed one another at Madrid have suspended almost all the municipal councilors elected on April 12, 1931, accusing them of fomenting revolutionary opposition. They have been replaced by "administrative commissions" appointed by the government. Naturally, there is very lively protest against this by the councilors and the Leftist parties. Furthermore, there has been new agitation against the government's strict press censorship and a show of alarm because of a bill recently proposed in the Cortes which would raise the price of daily newspapers from 10 to 15 centimos. It is claimed that this would amount to a further censorship of the more radical press, seriously lessening its circulation and imposing an additional burden on the poor.

The Institute of Agrarian Reform reported that by June 10 it had established 13,461 families on 132,159 hectares of land (one hectare represents about two and a half acres). Of this land 87,833 hectares had been seized from grandees. The Cabinet recently approved, however, a bill offered by Popular Action which decrees the restitution of land seized without indemnity in accordance with the law of Sept. 15, 1932, and recommended that all future agrarian reform be limited to Andalusia, Nouvelle-Castile and Estranadura. Republican Union Deputies, on the other hand, have asked for an investigation of the confiscation of Jesuit property. They allege that in some cases the property has been returned to the Jesuits and that in a number of others it was never confiscated

Spain's currency is said to be near the breaking point. On June 13 the Board for Controlling Currency Transactions had before it applications to export a huge sum in payment of unsettled foreign debts, and the total steadily increases. Foreign trade naturally suffers from this weakness of the national credit; if Spain cannot afford to buy foreign goods, foreign countries will not buy from her. The debt might be met by drawing gold from the Bank of Spain, by the floating of a loan abroad, or by devaluing the peseta. Financial circles feel that all exchange restrictions should be removed after existing foreign debts are settled, no matter what the cost to the national treasury. They point out that if foreign markets are closed business will stagnate and unemployment will rise. Minister of Finance Chaparieta told the Cortes on June 18 that it would be utterly impossible to increase further the national credit through borrowing, and declared that reduced internal expenditures were absolutely necessary.

Turbulent Yugoslavia

By FREDERIC A. OGG

THE Yugoslav dictatorship, following its smashing victory in the Parliamentary elections of May 5, sought to convey—both at home and abroad—the impression that the dictatorial régime was substantially at an end and that the breach between Croats and Serbs had been so narrowed that national unity would at last be realized. But the effort proved wide of the mark, for there was certainly no evidence that government was any less dictatorial than before.

When the new Skupshtina met on June 3 it was boycotted not only by the Croat Deputies but by all other opposition groups (chiefly the Serbian Peasant party). Never since the assassination in 1928 of Stephen Raditch and other Croat Deputies have Croats consented to sit in Parliament. They announced after the elections of May 5—characterized by the minorities as a "government-faked expression of the will of the people"—that they would continue to stay away until a "neutral" government should have held a fair election.

Croat and Serb opposition leaders adopted resolutions on June 2 which declared: (1) That ever since 1918 there has been continuous conflict between the Croat hope that Yugoslav authorities would guarantee increased liberties for the Croat people and the Serbian idea that the new country should become nothing but a greater Serbia; (2) that the existing governmental régime has so aggravated the problem that a solution appears almost impossible; (3) that notwithstanding the murder of dozens of Croat villagers by State police during the recent elections the Croat people "has an irresistible will which defies all attempts by the Parliament of the dictatorial régime in Belgrade to force it into a position of inferiority," and (4) that the further existence of Yugoslavia is possible only on condition that the just demands of the Croat people be satisfied.

From another source came a similar protest. The aged and infirm Mgr. Bauer, Archbishop of Zagreb and head of the Roman Catholic Church of Yugoslavia, blamed two of the Regents and Dr. Perovitch and M. Stankovitch for the continued unrest, and warned Prince Paul, the chief Regent, that repetition of the methods employed in the last election would lead to revolution and chaos.

The defense offered in Parliament by spokesmen of the government consisted largely of denials and countercharges. Minister of the Interior Popovitch asserted that the authorities had conducted the elections "with the greatest tolerance." He accused the opposition of terrorizing electors and the Catholic priests of abusing their pulpits to agitate for Croat candidates, and argued that a large proportion of Dr. Matchek's votes came from Serbs and other non-Croats. Minister of Justice Koyitch, who branded the opposition charges as "absolutely untrue," contended that the Croat cause was weakening, since Dr. Matchek had a smaller hold upon the electorate than that possessed by

Raditch in his day. The opposition demands dissolution of the new Parliament, thundered Koyitch, but the real need is "to dissolve the opposition."

As days passed, the debate grew more acrimonious. Ultimately the government's defense became a general indictment of the entire Croat nationality, with renewed accusations of Croat complicity in the murder of King Alexander. But the tactless Ministers overreached themselves, and on June 20 five of the more moderate ones, including the former dictator, General Zhivkovitch, resigned, causing the Yeftitch Cabinet to fall.

Both the growing power of the Croat opposition and the more conciliatory temper of the chief Regent, Prince Paul, now became evident. Dr. Matchek was called to Belgrade to assist in settling the crisis. For one who for years had visited the capital only en route to prison it was a novel experience to be asked by the highest State dignitaries to confer on constructing a Ministry. The trip was a triumphal procession, to the accompaniment of popular cries of "Hail freedom," "Down with dictatorship." Closeted with Prince Paul, Dr. Matchek reiterated the Croat demand for the dissolution of an unfairly elected Parliament. He indicated his willingness, however, to wait for several months while a neutral government arranged for new elections.

The upshot was the formation of a new Ministry, headed by the former Finance Minister, Milan Stoyadinovitch, and supposedly charged with the task of liquidating the dictatorship, restoring democratic government and reconciling the Serbs, Croats and Slovenes. General Zhivkovitch, who was King Alexander's first nominee to enforce the dictatorial régime, became Minister of Defense; Father Anton Koroschetz, the Slovene leader, Minister of the Interior. Besides the Slovene Clericals, two other formerly proscribed parties—the Serbian Radicals and the Bosnian Moslems—were given representation. Former Premier Yeftitch, who was not invited to participate, has since placed himself at the head of a formidable parliamentary opposition. Although certainly a more liberal body than the Ministry which it succeeded, and viewed at least benevolently by Dr. Matchek, the new group is looked upon with some skepticism in Croat circles. Perhaps this should be expected, considering how often the Croats have heard professions of brotherly love that eventually were enforced with bayonets. Though the old crowd, which has enjoyed the fruits of office for six years and which still has the active support of two of the three Regents, can be depended upon to die hard, there seems some possibility that the more liberal policies which the chief Regent, Prince Paul, is believed to favor will gradually win their way.

POLAND'S POLITICAL CHANGES

Reshaping the Polish political structure to fit the new Constitution went forward cautiously during the six weeks of official mourning for Marshal Pilsudski. A new electoral law abolishing proportional representation and direct voting and guaranteeing a government majority in future Parliaments was considered in the Sejm, and the succession to the Presidency was gradually being clarified.

By the terms of the Constitution, the President is chosen by popular vote from two candidates, one named by the retiring President and the other by an assembly of electors, it-

self partly ex officio, partly chosen by the two houses. At the middle of June, it was expected that President Moscicki's nominee would be an army inspector, General Kazimierz Sosnokowski, who would prove so agreeable to the leaders of the Pilsudski forces that no rival candidate would be put up and consequently no polling would be necessary. General Sosnokowski is regarded as an able, energetic man and a shrewd politician who would cooperate with General Edward Rydz-Smigly, Marshal Pilsudski's successor in the army.

DANZIG FINANCES

A financial crisis in the Free City of Danzig early in June not only disturbed Poland, but threatened a serious clash with Germany. In an attempt to curb the flight of the gulden resulting from devaluation, the Nazi government of the Free City closed all banks on June 4 and decreed a financial blockade.

Polish banks with branches in Danzig, however, had in recent weeks accepted many millions of gulden on a par exchange basis of one gulden for one zloty, and in addition many industrial and commercial concerns with Danzig branches had policies and credits held in gulden which the Danzig Government planned to "freeze" by the imposition of exchange restrictions similar to those enforced in Germany. On June 14, the Polish High Commissioner, Dr. Casimir Pappee, protested to the Danzig Senate, declaring that the currency restrictions were contrary to the letter and spirit of the Polish-Danzig agreements of 1921, would bring Polish-Danzig trade to a standstill and would compel the Poles to withdraw from the Free City as a port and commercial centre. At the same time, Germany was warned that Poland would never consent to the German mark's replacing the gulden as Danzig's currency, and attention was called to the fact that, when the Free City undertakes to refund the money frozen in Germany, it may eventually have to adopt the Polish zloty. As a matter of fact, Poland is empowered to demand unification of its currency with Danzig, where, however, such a measure was rejected fifteen years ago when the Bank of Danzig was established.

Faced with Polish retaliation, Danzig's Nazi government, on June 29, terminated the banking holiday, exempted many businesses from foreign exchange control, and made a number of other concessions—whether or not with promise of German aid was unknown.

CZECHOSLOVAK POLITICS

Early in June the Czechoslovak coalition Cabinet widened its ranks to include the Small Traders party, thereby increasing its strength in the respective houses to 166 and 82. The government was thus assured of a working majority; indeed, some considered it not improbable that it would in time be further strengthened by the adhesion of the Slovak Populist party. Though reiterating its readiness to cooperate in the coalition, the surprisingly successful Sudeten German party of the "Czechoslovak Hitler," Konrad Henlein, received no indication that its support was desired.

When debate on the government's program was opened in Parliament on June 19, interest centred on a speech by Deputy Frank, former leader of the Henlein party, who was repeatedly interrupted by Communists, Socialists and Czech Nationalists. Affirming that his party acknowledged that the Germans in Czechoslovakia are "in-

corporated in the nation," that good relations between Czechs and Germans were greatly to be desired, and that his party was ready to work with the other parties in the chambers, Herr Frank nevertheless declared that the German elements of the nation would not be content with the secondary rôle to which a majority of the Czechoslovak people persist in trying to assign them. The party, he added, would never abdicate its title to Cabinet representation nor cease to struggle for equal rights for Germans.

Good relations between Czechoslovakia and the Soviet Union were promoted by at least two important events during early June. The first was the signing of a credit agreement in the latter's favor amounting to 250,000,000 kronen—the second time that the Soviet Union has broken through the credit blockade which the capitalist world has maintained against it ever since the Bolshevist revolution. The second significant event was a visit by Foreign Minister Benes to Moscow, where he and Soviet Foreign Commissar Litvinov mutually pledged the most vigorous efforts to extend to other States the collective security system embodied in the mutual assistance pact signed between the two on May 16. Dr. Benes declared that the diplomatic interests of Czechoslovakia and the Soviet Union are in complete harmony.

HUNGARIAN MILITARY AIMS

During debate on the Hungarian military budget, Premier Julius Goemboes outlined in Parliament on May 28 his government's rearmament policy. Hungary, he said, wishes: (1) Universal military service with a two-year period with the colors; (2) equality with the Little Entente in the right to rearm, and (3) a strong air force. His country, however, would not follow Germany's lead in denouncing treaties, but would wait until the great powers were ready to grant equality. The Premier announced unexpectedly that he would be prepared at any time to conclude a customs union with Austria, but that this could not be allowed to affect political matters such as restoration of the monarchy. The question of restoration, he declared, is not practical at this time, and can be settled only in a more peaceful atmosphere.

RUMANIAN UNCERTAINTY

Though outwardly at peace, Rumania faces a political explosion at almost any time. Martial law prevails in the principal cities; free speech is forbidden; a strict censorship is kept on newspapers and motion pictures, and persons of political importance are watched closely—all with a view, as it appears, to keeping the present government and dynasty in power, preventing anti-Jewish outbreaks among the university students and, above all, protecting King Carol from attack because of Mme. Magda Lupescu, his titian-haired mistress.

That the position of the "uncrowned queen," the "modern Mme. Pompadour," is the real key to the situation was made clearer by events of the past month—especially by bitter criticism voiced at a nation-wide rally of the National Peasant party at Brasov on June 17. In vigorous but carefully measured language, Dr. Julius Maniu warned the King to banish Mme. Lupescu before the peasants, who form 85 per cent of the population, rise in revolt against the throne. Other speakers declared that the country was in disgrace before the world because of Mme. Lupescu's power, the reign of martial law and censorship, and the hold of the "palace clique" upon affairs. Attacks on

similar lines were launched on other occasions by General Averescu, leader of one of the minority parties, and George Bratianu, chief of the Young Liberal party.

GREEK MONARCHIST ACTIVITY

The underlying issue of Greek politics since 1924 has been whether the republic should be perpetuated or the monarchy revived. This was the question behind the Venizelist outbreak of early March, and it is the issue that more than ever has dominated the political scene since the uprising collapsed.

In the elections of June 9, when the Royalists obtained but seven seats out of a total of 300, the monarchist cause undoubtedly suffered a setback. Too much weight, however, should not be attached to this paper result, because the Tsaldaris-Kondylis government won its block of 287 seats only by a mixture of manipulation and default. Furthermore, events since the elections have tended to show that while the Royalist boast that former King George will again be on the throne by Autumn may well be extravagant, the trend is unmistakably toward monarchism.

To begin with, the country is being flooded with Royalist literature and the number of newspapers championing the cause is rapidly increasing. Greek statesmen like Nicholas Politis, co-author of the famous Geneva Protocol of 1924 and at present Greek Minister at Paris, are coming out for a form of government which M. Politis himself has declared to be "incontestably a thousand times preferable to the absolute republic." Still more significant, Premier Tsaldaris, formerly strongly opposed to a plebiscite on the issue, switched his position immediately after the elections and publicly endorsed the proposal; and on June 21 Field Marshal Kondylis, Minister of War, to the great surprise of Republicans, let it be known that he had come to entertain a sympathetic feeling toward the restoration of the former sovereign. More and more the opinion has grown in informed circles that the only effect of the apparent Royalist defeat in the parliamentary elections will be the establishment of a constitutional monarchy on the British pattern rather than a monarchy of more absolute type.

Further excitement was stirred on June 24, when former Premier Alexander Papanastasio, once right-hand man of Eleutherios Venizelos and now his successor as Republican leader, left Athens for a visit to the United States. M. Papanastasio asserted that the trip was undertaken solely for the purpose of visiting relatives and friends in New York, Chicago and other American cities, but monarchist supporters saw in it a mission to collect funds from the 500,000 Greeks in the United States. The support ordinarily given the Republicans by Mme. Helene Venizelos, it is explained, has been diverted to the aid of Venizelists in Bulgaria, Italy and Turkey, leaving the party at home short of money with which to meet the well-underwritten monarchist campaign.

As a condition of their participation in the work of the new Parliament convened on July 1, the Republicans stipulated a general amnesty for the rebel officers and politicians, the restoration of lesser figures in the revolt to their former military rank, the return of confiscated property, revision of the electoral lists to exclude military men, restoration of the dissolved Venizelist societies and the appointment of a Venizelist as Minister of the Interior during the plebiscite if one is held.

Social Advance in Sweden

By RALPH THOMPSON

SWEDEN'S reputation for forward-looking legislation was enhanced during the recent Riksdag session by a measure which so increases old-age pensions that the indigent aged are no longer dependent upon poor-relief for assistance. A Swedish old-age pension system of a sort has been in effect since 1913, but the new regulations, accepted without a roll-call by the two Chambers on June 8, represent a decided advance.

After Jan. 1, 1937, all men and women over 67 years of age will receive annual pensions computed on the following scale: Those with an annual income of less than 100 kronor (the krona is currently about $.25) will receive a basic payment of 70 kronor plus an extra payment of 250 kronor plus a sum equal to 10 per cent of the contributions they have made. Contributions are exacted, according to abilities, from all over 16 years of age. Pensioners enjoying an income of over 100 kronor a year will receive as the "extra payment" not 250 kronor but 250 kronor minus 7-10 of their income over 100 kronor.

The new regulations differ from the old in that the "extra payment" was heretofore predicated on an annual income of less than 50 kronor, and varied between 150 and 225 kronor for men, between 140 and 210 kronor for women. The deduction from the "extra payment" also differed; under the old law it amounted to 6-10 of the income in excess of the minimum.

How the additional cost of the reorganized pension system will be met has not been decided upon. The Riksdag has shown no liking for Premier Hansson's proposed government monopolies in coffee and gasoline, which would presumably provide ample funds, and although these projects have not been finally rejected, they will probably be passed over in favor of higher duties on certain commodities. At present it appears that the extra burden will be met by raising the rate of individual contribution and by drawing upon government reserves. By 1950, it is believed, the new scheme will cost the government an extra 60,000,000 kronor yearly.

On the question of a government monopoly of radio broadcasting the Riksdag took final action on June 5. Instead of the complete State control asked by the Cabinet, the two Chambers accepted a proposal by which broadcasting is to be left in private hands, with government representation so increased as to give a majority to directors appointed by the State.

Premier Hansson was less successful in his attempt to put through a measure guaranteeing the "rights" of strike-breakers, neutrals and other third parties in the event of conflict between capital and organized labor. From the outset it was hard to understand why a Social-Democratic Cabinet should have sponsored such a bill, and the haste with which government spokesmen abandoned the measure once it had been somewhat altered in committee showed that it did not lie very close to the Premier's heart. Presumably, the measure was brought forward in the first place as a concession to the Agrarian party, upon

whose support the Social-Democrats are dependent for their majority in the Riksdag. The Agrarians, however, did not destroy the coalition because of the government's defection, and with the adjournment of the Riksdag on June 18 Premier Hansson's Cabinet was assured of office at least until the Riksdag assembles in January.

FINLAND'S PROGRESS

On June 15 Finland again distinguished herself as the only country to pay a war-debt instalment to the United States. Her internal economy is, indeed, in a relatively prosperous condition. At the end of April, 1935, the registered unemployed numbered 18,000, as compared with 53,000 in April, 1933, and 32,000 in April, 1934. Her foreign trade rose briskly during 1934, and during the first four months of 1935 continued to rise. A new clearing agreement with Germany, signed on May 29, extended, under slightly different conditions, the arrangement concluded last October by which the valuable German market is kept open for Finnish exports. The index of the volume of industrial production for the first quarter of 1935 stood at 141, as compared to 127 for the same period of 1934, 110 for 1933, and 97 for 1932.

LITHUANIA AND POLAND

The prospects of an understanding between Lithuania and Poland were considerably advanced during recent weeks by certain official Lithuanian pronouncements. Upon the death of Marshal Pilsudski, who, because of his Lithuanian origin, was regarded by Kaunas as doubly responsible for the trouble between the two countries, the Lithuanian Government sent no condolence to Poland. The Lithuanian Consul General at Koenigsberg and the Lithuanian Chargé d'Affaires at Paris, however, both expressed formal sympathy to local Polish representatives. Furthermore, the Lithuanian Minister of Foreign Affairs, M. Lozoraitis, speaking over the radio early in June, went out of his way to praise the personality and achievements of the late Polish leader. At about the same time M. Saulys, Lithuanian Minister to Berlin, granted a long interview to a Polish journalist in which he commented in detail upon the hard feeling which has marked the controversy over Vilna. Great significance was attached to his concluding remark: "If the ice between the two countries has not yet been broken, the chances are that it will be in the near future."

ESTONIAN FASCIST TRIAL

The three-man dictatorship which rules Estonia has applied so effective a press censorship that little local news leaks out to the waiting world. Through the official propaganda bureau, however, there have come reports of the recent trial by a Tallinn court-martial of thirty-nine "Fascist conspirators." Members of the dissolved Front Soldiers' League, sometimes called the Liberators or the Vabsid, the accused were charged with having conspired to overthrow the present régime and of maintaining under the guise of a social and athletic organization a party which was in actuality a counterpart of Hitler's Storm Troops. By the verdict handed down on June 21, fourteen of the accused were given twelve-month sentences, twenty-three were given shorter terms and two were discharged. Among those receiving the maximum penalty was General Larka, who was the Vabsid candidate for President back in those days of 1934 when Estonia voted herself a new Constitution and appeared to be well on the way to democracy.

The Costs of Soviet Progress

By EDGAR S. FURNISS

VARIOUS official reports on the success of the Soviet economic program for the current year and for the period since 1932 have recently appeared. Substantial progress is recorded for agriculture, both in regard to the expected food production and the spread of the Soviet system of agrarian organization.

Estimates of the coming harvest run much higher than in any previous year. The area sown to grain, over 200,000,000 acres, exceeds the specifications of the plan for 1935 and is more than 1,000,000 acres larger than last year's planting, which set a record for the country up to that time. Favorable weather conditions, turned to good account by the government's aggressive effort to improve methods of cultivation, have brought prospects of an unusually large yield per acre. Forecasts of the harvest compiled by experts of the Kremlin from reports of local officials indicate a crop much larger than last year's, the total of which, though never officially stated, was asserted to be the largest in Russia's history. If these expectations for the present year are realized, they will produce for the Russian people a food supply exceeding anything available to them since the revolution. The country at the same time will win a dominant rôle in the world's grain trade.

Soviet officials regard this outcome of their struggle with the peasants as the final triumph of the program for socialized agriculture. Other aspects of the agrarian situation can be cited to support this view. Thus it is noteworthy that peasant resistance to the Soviet program has virtually disappeared, even in the Ukraine, where opposition once approached civil war.

According to official statistics, more than 500,000 individual peasants gave up their holdings and joined the collectives during the first three months of 1935. The collective system now embraces 175,000,000 acres as against only 18,000,000 cultivated by the independent peasantry. Even the State-owned farms with their total of 26,000,000 acres outweigh the remaining vestiges of private property in land which but a few years ago was dominant throughout the country. The mechanization of agriculture, a revolution in technique which was planned to parallel the reorganization of land tenure, has also made rapid strides. Nearly 100,000 Russian-made tractors and 21,000 threshing combines have been added to the country's agricultural equipment since the first of the year.

But there are reasons to wonder whether progress toward agrarian socialism has been either as comprehensive or as permanent as first glance would indicate. For one thing, the remaining independent peasants, although they control only a minor fraction of the land, still number nearly 30,000,000 people. This is a vast social class which must be "liquidated" in the course of the next two years if the program is to be completed according to schedule. More important, the peasants within the collectives are not socialized in any true sense of the term.

The government has been obliged to make concessions to the individualistic impulses of these peasants, in order to make the system work, until at the present time each of them controls his own allotment of land, owns privately a number of farm animals and tools, and is permitted to sell his surplus produce for his own profit. The rapid increase of numbers in the collectives this year is probably due to the fact that the status of the member of a collective farm differs but little from that of the individual peasant. Concessions to self-interest may enable the government to bring the remaining independent peasantry into the collectives without resort to coercion, but even if it becomes all-inclusive by the scheduled date, 1937, the system will not on that account be an example of socialism. Neither in motive and outlook, nor in his economic circumstances, will the Russian peasant have been transformed into a member of a Socialist community by reason of these changes in agrarian organization.

The franker spokesmen of the Communist party admit that true socialism is being established only in industry, where the worker gets no income except through wages paid him by the State. The 71 per cent of Russia's population on the farms—collective and individual alike—remain essentially unregenerate. This is not to say that the progress of collectivization is a slight achievement. On the contrary, it is a matter of great practical consequence. The system permits centralized planning and control in respect to the nation's food supply; it is probably indispensable to efficient agriculture on a large scale; it assures the dictators that they can provide for the needs of industry and the Army; it places them in position arbitrarily to increase or diminish exports as need arises. Obviously these are important advantages, but they do not demonstrate the success of the Communist theories to which the rulers subscribe.

In industry as well as in agriculture the Soviet authorities report steady progress in the development of their plan for the year. During the first five months of 1935 production in heavy industry increased more than 25 per cent over the corresponding period last year. In most branches this division of the nation's economy is well up to schedule, the metal trades leading with increases over last year varying from 32 per cent to 99 per cent, with the coal and oil industries and transportation showing less rapid progress. The consumers' goods industries are also expanding their output, though the rate is more difficult to measure. The best indications of improvement here are to be found in the daily life of the people rather than in statistical statements. Supplies in the shops are greater and prices in terms of the paper ruble, which is the wage earner's only money income, have declined. These changes are noticeable especially in the large cities, and to a smaller extent in the country districts as well. The textile and the footwear industries, important to the common people because of the dearth of these commodities, have made a particularly good showing during this year, exceeding their quotas by a substantial margin.

From the statistics of expanding production it might be inferred that the planned economy is rapidly improving the material welfare of the people. A publication of the Soviet Union Chamber of Commerce, under date of May 20, traced the growth of the national income, and drew such a conclu-

sion from the facts. The total national income for the present year is given as 64,500,000,000 rubles as against 21,000,000,000 in 1913 and a predicted total of 100,000,000,000 in 1937. The article bases on this evidence the statement that the Russian people are now receiving "three times more benefits than they did before the revolution." Other official statements of similar purpose point to rising money wages as proof of the masses' greater comfort under the Soviet régime.

All such statistics, however, whether dealing with records of production, estimates of future expansion, or the incomes of the people, have little meaning when stated in financial terms. The ruble is a unit of measurement that cannot be translated into any fixed standard. The money received by the people is an irredeemable paper note, not the so-called gold ruble, which exists only in imagination as a unit of account. Since this money must be spent within the country its significance as income depends wholly on the behavior of prices. Money wages have undoubtedly risen since the beginning of the planned economy in 1928.

One survey by a foreign observer within the country, taking the wages of coal miners as a norm, shows an average monthly wage of 164 rubles at the present time as against an average of 70 rubles in 1928. Skilled workers and technicians receive much higher pay, rising in some instances to 1,500 rubles a month. At the present range of domestic prices, however, the ruble has purchasing power equivalent to but a few cents, and these money incomes will support a standard which seems incredibly low according to American ideas.

Impartial observers believe that the real incomes of the people have risen, especially within the past year, and that the government is making a sincere effort to raise them further. But the gains of the Five Year Plan, when stated in these ultimate terms of common material welfare, have been slight as compared with the phenomenal growth of production or of national income presented by the government's statistical summaries.

The poverty of the Russian people is due not so much to the inefficiency of Soviet enterprise as to the deliberate policy of their rulers to invest a large part of the nation's productive energies in capital goods. This basic industrial equipment, which has expanded with such amazing rapidity during the past seven years, has been acquired at the expense of the real income of the working classes. The improvement in living conditions noticeable this year results from a modification of this policy, a slowing-down of the rate of capital accumulation and an increase in the supply of goods available for direct consumption. As originally described, the keynote of the Second Five Year Plan was to have been this change of emphasis in favor of the immediate needs of the people, but circumstances have prevented complete fulfillment.

The threat of war has reduced the people's incomes by causing an immense increase in direct military expenditures and by convincing the government that further expansion of basic industries was necessary in the interests of national self-sufficiency. Moreover, it appears that the authorities overestimated the amount to be expected for reinvestment from profits of State-owned enterprises. At any rate, the government has been obliged to call upon the people this year for a loan of 3,500,000,000 rubles to provide for capital needs. This is really a levy on income equivalent to a contribution of three weeks' pay by the average

worker. After holding the loan open to voluntary subscription for three months with little result, the government has now launched a nation-wide campaign of propaganda which will make it virtually impossible for any individual to escape the levy. Thus the Soviet program continues to rest heavily upon the nation's standard of life and the proof of its power greatly to improve the economic welfare of the common man remains yet to be demonstrated.

Although there is much less bluster on the part of the rulers and less general public excitement than earlier in the year, the Communist dictators are relentlessly carrying on their program to stamp out all opposition, both within the party and among the people. The latest victim among those politically prominent is A. S. Yenukidze, who was deprived on June 7 of public office and expelled in disgrace from the party. Yenukidze had been an active Bolshevist since 1894, suffering imprisonment and exile during the Czarist régime; for many years he had been a member of the Central Committee of the party and a high governmental official. Until now he has never been charged with membership in the anti-Stalin faction of the party, and the grounds for his expulsion — "moral and political corruption"—are not very illuminating as to the real nature of his offense. He is known, however, to have been tolerant of unorthodox ideas and individuals, and this probably was sufficient reason for his removal.

A large-scale example of this cleansing process among the rank and file of the party was provided by the report of June 15 on the inquisition into the party membership of the Uzbek Republic. Over a quarter of all Communists in this region have been expelled from the party; 12 per cent have been degraded from active to associate membership, and the same proportion has been reduced to the status of sympathizers. Similarly severe discipline has been visited upon disloyal or lukewarm Communists in other regional divisions. The present leadership is determined to be able to count on the unquestioning obedience of every professing Communist throughout the country.

For some time there have been rumors of wholesale punishment of people outside the party on suspicion of counter-revolutionary sentiments or activities. Early in the Spring foreign correspondents in Russia asserted that at least 25,000 people had been removed from Leningrad to the waste places of Siberia since the beginning of the year. Official statements regarding this program of suppression have been neither plentiful nor specific, but one item in the Soviet press speaks of 1,074 families recently exiled from one city alone. The charges against these people were in some cases based only on their activities before the revolution, and in other cases on the vague assertion that they had been behaving in a manner harmful to the Soviet State. The admitted policy of the government is to disperse and scatter among the remote Provinces any group of the population of European Russia which might conceivably cause trouble in the event of an emergency in domestic or foreign affairs.

Egypt's Stake in Ethiopia

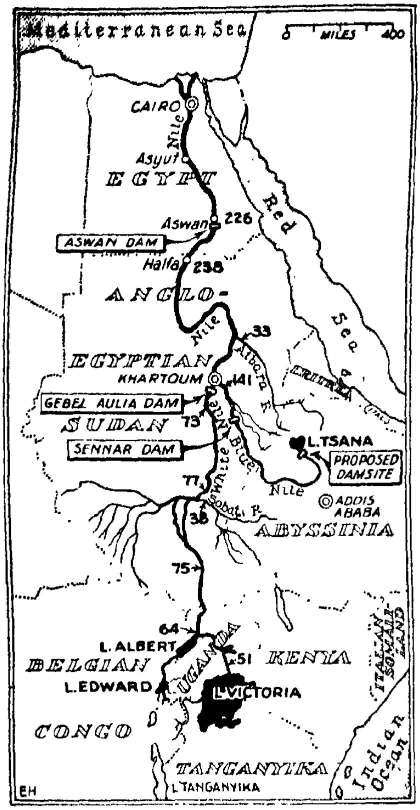
By Robert L. Baker

Behind Great Britain's efforts to halt Italian aggression against Ethiopia lie very tangible interests in Northeast Africa. These concern not only a secure route to South Africa but also the dependence of Egypt and the Anglo-Egyptian Sudan upon the Ethiopian sources of the Nile and particularly upon the Blue Nile, which flows out from Lake Tsana on the Ethiopian plateau and joins the White Nile at Khartoum. Adequate water supply for irrigation is the most vital of all questions to 15,000,000 Egyptians and to 5,600,000 Sudanese who live under the condominium. Without it they would perish and any political development affecting the ownership of the headwaters of the Nile is of primary importance to them.

Great Britain, as the protector of Egypt and as joint ruler of the Sudan, has followed no "muddling through" policy in regard to the Nile. In fact, for about four decades it has been a cardinal point of British African policy that no foreign power shall control the headwaters of the Nile. Britain and France came to the verge of war over the Fashoda incident in 1898, when Major Marchand raised the tricolor over a village on the Nile above Khartoum. Tactfully but firmly the British Foreign Office insisted that Marchand and his force be withdrawn. In 1902 a treaty was concluded with the Emperor Menelik by which the right to build conservation works on the Blue Nile was reserved to Great Britain. In 1906 Great Britain, France and Italy agreed to divide Ethiopia into spheres of influence and Britain got Western Ethiopia, including the Blue Nile and Lake Tsana areas.

In its present attempt to protect Ethiopian independence, Downing Street may perhaps remember that during the World War German agents tried to win the support of Ethiopia in order to carry out an amazing plan to blast the banks of the Blue Nile near Lake Tsana and so to divert its waters into a region where they would be absorbed or dry up. If that were ever to be done, the very life of Egypt and the Sudan would be imperiled.

The importance of the Blue Nile is illustrated by the accompanying map. During August and September the greater part of the water from which Egypt and the Sudan benefit comes from the Blue Nile, and during the first week of September that river carries fifteen times the volume of the White Nile. Moreover, the contribution of the Blue Nile comes at a time when the White Nile, flowing down from the central lakes, is low and of little value. But because of its comparatively rapid descent from Lake Tsana, nearly 6,000 feet above sea level, the Blue Nile's flood is soon exhausted and from January till June Egypt and the Sudan are dependent for irrigation upon waters stored in artificial lakes. Often this period is critical and the engineers dole out the reserve sparingly. If, however, a dam were to be built at Lake Tsana, the Blue Nile's enormous volume could be



The drainage system of the Nile River. Heavy figures indicate the average daily discharge at selected points in millions of cubic meters

held back and distributed through the Winter and Spring months when it is most needed.

Such a dam at Lake Tsana has been under consideration for more than forty years and an American firm, the J. G. White Engineering Corporation of New York, has been negotiating for the contract with Ethiopia, Great Britain and Egypt since 1902. But a number of factors have in the past prevented the realization of the project. In Ethiopia anarchy until recently was the rule rather than the exception, and ecclesiastical opposition developed on the ground that a number of shrines would be submerged by raising the level of Lake Tsana. Great Britain objected for a time to a contract with an American firm. There has been much opposition in Egypt, especially from the Nationalist party, on the ground that, while Egypt would have to pay for the dam, it would mainly benefit competing British cotton interests in the Sudan.

Great Britain and Italy in 1925 agreed privately to support each other in securing the former's right to construct the Tsana Dam and the latter's right to build a railway across Ethiopian territory linking her two colonies of Eritrea and Italian Somaliland. When Ethiopia discovered the arrangement and published it to the world, the British and Italian Governments protested their good intentions toward Ethiopia and dropped their plan. Two years later an announcement from Addis Ababa that the contract had been awarded to the White corporation, apparently a *ballon d'essai*, was balked by British opposition. The American firm made thorough surveys in 1930 and 1931, and in 1933 it was again reported to have received a concession to finance and build the dam. Though a vague concession seems to have been granted, there was certainly no contract.

The difficulties between Ethiopia and Italy appear to have determined Great Britain to push the project of the Tsana Dam in order to clinch her claim to special interests in Western Ethiopia. On his part, Emperor Haile Selassie desires British diplomatic support and needs the money which Egypt would advance upon the signing of the contract. Opposition to the dam in Egypt seems likewise to have diminished.

According to a report from Cairo on June 1 an agreement had "virtually been reached" between the

Egyptian, Sudanese and Ethiopian Governments by which the White corporation would shortly commence work on the dam. The report appeared to be more reliable than former ones in view of the announcement by the Egyptian Government on May 22 of a public works plan which included the allocation of funds for the Lake Tsana Dam when the international situation made it possible to begin work.

By the terms of the reported agreement the Egyptian Government was to bear 90 per cent of the cost of construction, estimated at $10,000,000, and the Sudanese Government 10 per cent. Upon the completion of the dam the Sudan was to receive 10 per cent of its stored water, but could increase its share up to 50 per cent after twenty-five years, increasing its payment proportionately. Ethiopia was to be paid $250,000 upon signing the agreement and an annual rental of $50,000 beginning with the completion of the project. In lieu of this rental she might take $250,000 upon the completion of the dam and $25,000 annually for the first ten years.

Provision was made for the protection of riparian rights and local labor was to be used as far as possible. The level of Lake Tsana was not to be raised above its natural high level without permission from Ethiopia and in the latter case Egypt was to indemnify the owners of any properties submerged. Another condition to the agreement, to be satisfied before the dam is begun, required the Egyptian and Sudanese Governments to construct an all-weather motor road from Addis Ababa to Lake Tsana and to pay for its maintenance.

REFORMS IN TURKEY

Turkey's numerous drastic reforms during the past decade have created a feeling abroad that perhaps they were too arbitrary and too sudden. Arbitrary some of them have undoubtedly been, as well as far in advance of public opinion, but charges of suddenness have seldom been justified. There is normally an interval of from several months to a year between the promulgation of a reform and the date upon which it becomes effective. The law prohibiting the wearing of clerical garb by ecclesiastics of all sects except at religious services is a good example. The law was promulgated on Nov. 27, 1934, with the announcement that it would become effective on June 13, 1935. Clergy who felt strongly about the ban were thus given time to have themselves transferred to fields of work in other countries.

On June 13 Greek Orthodox and Armenian priests and Moslem imams duly changed to civilian garb, the Greek priests all dressed alike with double-breasted black suits, black ties and Homburg hats. It is understood that the Greek Government subscribed about $4,000 to assist the Greek clergy in Turkey to acquire new wardrobes. From this sum $96 was allotted to Bishops and $16 to ordinary priests. The Armenian and Moslem clergy appeared in less formal clothing.

Another reform, announced in a decree of June 18, affects motion pictures. Only films that have been approved by the board of censorship for universal exhibition may be seen by children and young people, and children under 16 may not be admitted in the evening.

A severe drought has caused a food shortage in Turkey and considerable speculation in cereals. In an effort to cope with this problem the government on June 13 forbade further export of cereals and adopted measures to punish speculators in foodstuffs.

Japan's New Hold on North China

By GROVER CLARK

BY continuing its military pressure through the month of June, the Japanese Army on the Asiatic Continent (officially known as the Kwantung Army) forced Chinese compliance with all its demands and secured practical if not formal control over the Peiping-Tientsin area and a considerable portion of Inner Mongolia in Chahar Province.

As a result of these Japanese moves, General Chiang Kai-shek's personal authority and that of the Nanking Government have suffered a serious setback. Chiang himself, in fact, appears to have fallen between two stools. He was too pro-Japanese to permit armed resistance to the Japanese military advances in Manchuria and North China, and thereby made a host of new enemies among the Chinese. On the other hand, he was too anti-Japanese to suit the Japanese military chiefs, in that he did not act with sufficient vigor to suppress anti-Japanese boycotts and agitation.

The Japanese have turned out of North China all Chiang's adherents, including his private Fascist Blue Shirts, and have destroyed the Kuomintang organization there. Not satisfied with this, a number of the Japanese higher officers have been saying that there can be no peace in China so long as Chiang remains in power. Colonel Sakai, Japanese chief of staff at Tientsin, is even quoted as having said, early in June, that "if China breaks up as a nation, it will be due not to Communist influence but to Chiang's machinations."

The tangible results of this latest Japanese military advance are clear enough. All the principal Nanking-appointed Chinese officials in Peiping and Tientsin and in Hopei and Chahar Provinces have "resigned," and new men who are acceptable to the Kwantung Army have taken their places. In effect, though not nominally, Chahar Province has been made a demilitarized zone, like that established just inside the Great Wall by the Tangku Truce of 1933. Japan has secured the right to build and use an airdrome at Kalgan, which gives the Kwantung Army an air base well into Inner Mongolia and within easy striking distance of the Russian-dominated parts of Outer Mongolia.

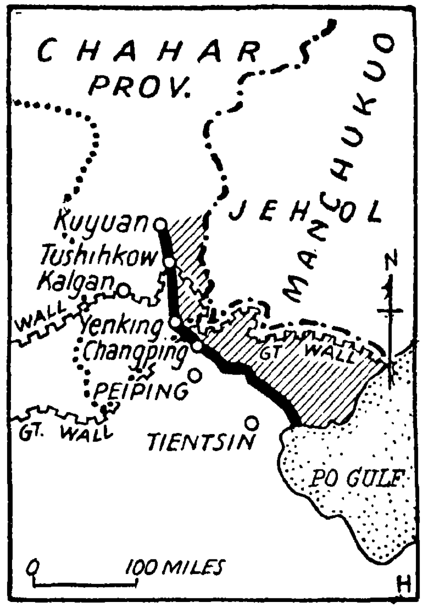
A number of the new Chinese officials belong to the group centring around General Yen Hsi-shan, the "Model Governor" of Shansi Province, who never has been more than nominally and somewhat unwillingly submissive to Chiang and Nanking and who led a prolonged and vigorous rebellion against Chiang's authority in 1930. Furthermore, all Chiang's and Nanking's troops in this North China region have been moved southward, in compliance with Japanese demands, and their places have been taken by soldiers more or less directly associated with Yen.

Among the chieftains who may be expected to side with Yen in any move he may make are Han Fu-chu, the Governor of Shantung Province, and Feng Yu-hsiang, the former "Christian general." Han has been doing an

excellent administrative job in Shantung and has been at best distinctly cold toward Chiang's ambitions. Feng has been living in retirement in Shansi, but he would command a considerable following in case he should resume activity. The stage thus is set for another open repudiation of the Nanking Government by this North China group and for the creation of an avowedly separate administration. From that it would be only a short step to the proclamation of an "independent" State like that of Manchukuo, though it is certain that this step would be taken only as the result of a good deal of Japanese pressure.

Spokesmen for the Kwantung Army and for the War and Foreign Offices in Tokyo have been busy declaring that Japan had no intention of doing anything to encourage, still less to insist on, the creation of such an "independent" State in North China. But there are numerous deadly parallels between the recent situation and that in Manchuria in the months just preceding Manchukuo's declaration of independence in March, 1932. And these Japanese statements sound extraordinarily like the declarations regarding Manchuria that were made after the Japanese troops took possession. Nor has any suggestion come from the Japanese that they would in the slightest degree object to a "spontaneous" movement which ended in an "independent" North China State.

The uncertainty in the situation has been considerably increased by the continued secrecy as to just what demands the Kwantung Army made on the Chinese, and precisely what were the terms of the Tangku Truce of 1933. One set of demands was presented on May 29. These seem to have been amplified, or perhaps made more precisely detailed, in later Japanese



The shaded area indicates the neutralized zone in North China

communications. It is not clear whether the demands related only to the North China area, or included insistance on those points, such as lowering tariffs on Japanese goods and settling Japanese loans, which presumably could be dealt with only by Nanking. But whatever the demands and the secret provisions of the Tangku Truce may have been, the Kwantung Army has effectively established the principle that in the area lying to the south and west of Manchukuo, only such officials, soldiers and actions will be permitted as it chooses.

The Japanese, incidentally, attribute the secrecy to the Chinese. They say that they have no objection to the publication of all the demands and the full Tangku Truce terms, but that the Chinese have wanted to keep these secret in order to avoid the "loss of face" which would be theirs if it became known exactly what they were signing away. Whether this is strictly true or not, the fact remains that a

very rigid Chinese censorship has been maintained over North China newspapers—a censorship so complete, for example, that the only English-language newspaper in Peiping contained during the month of May hardly a reference to Japanese military activities in that region.

The Central Political Council at Nanking postponed action on the Japanese demands as long as it could. Then, on June 12, apparently in the face of something like an ultimatum, it held a long and heated meeting to reject the demands and to resist the Japanese. But before final decision was taken, Chiang Kai-shek, who was chasing Communists in Szechuan, was asked for instructions. His reply was an order to accept the demands and not to resist. In the circumstances, it is difficult to imagine what else he could have done, for open war would have meant disaster, and a rejection of the demands would have meant simply more Japanese military aggression. These considerations, however, do not alter the fact that Chiang, by yielding, made himself a good many new enemies.

Meanwhile, General Ho Ying-chin, Nanking's War Minister and head of the Military Council for North China, had been putting off by one device and another a written acceptance of Japanese demands. On June 13 he slipped out of Peiping, leaving no one authorized to deal with the Japanese. But the Japanese massed 5,000 more troops at the Great Wall and staged a series of sham battles (complete with tanks and machine gun and cannon fire) in the streets of Tientsin. On June 19 the statement was given out that the Japanese authorities were satisfied with what the Chinese had done.

New trouble had already started in Chahar, however. Four Japanese officers had been detained by Chinese soldiers. The Chahar Governor apologized on June 16 and promised there would be no more incidents. The Japanese, however, made him and his troops leave the Province. On June 23 Major Gen. Doihara, whose presence in Manchuria in 1931, in Shanghai in 1932 and in North China this Spring was the prelude to Japanese armed moves, conferred with a newly appointed Chahar Governor and noted that all Japan's demands had been accepted. These included the right to build an airdrome at Kalgan and the requirement that Chinese forces in Chahar were to be not soldiers but special "peace preservation" police.

Most of the troops which the Chinese agreed to move south seem to have been sent on their way without disturbance. On June 28, however, a brief battle was fought at Peiping between "loyal" troops and "mutineers." The "mutineers" had seized an armored train and kept up an attack on the city gates for some hours before they were dispersed. In the meantime part of them succeeded in fighting their way almost into the Forbidden City in the centre of Peiping, and for several days thereafter there was considerable uneasiness in the city. It is not clear, from the reports, to what detachment the "mutineers" belonged. The first accounts were that they were part of the troops who were being sent south. A somewhat different light was thrown on the affair, however, when considerable quantities of Japanese military equipment were found in the armored train which the mutineers had used as a base. During the trouble Japanese troops in Peiping were kept in readiness to act, but they took no active part.

This new Japanese advance was watched carefully in both Washington

and London. But neither the British nor the American Government made any formal representations to Tokyo. The new British Foreign Secretary told the House of Commons that he was in communication with the British representatives in China and Japan, and the British Ambassador in Washington called at the State Department once or twice. The Chinese representatives at Washington and London let it be known that China would welcome American and British protests to Japan, but they did not formally request that the Nine-Power Treaty be invoked. The League of Nations apparently has taken no official notice of these North China developments.

NEW EMBASSIES IN CHINA

While the Kwantung Army was forcing submission around Tientsin and Peiping, Japan's newly created Ambassador arrived in Nanking. When he presented his credentials (necessary because his previous mission had been as Minister) nothing was said on either side about the North China incidents, and the occasion was marked by the utmost courtesy and mutual expressions of good-will. Japan's decision to raise her representative in China to the rank of Ambassador was made early in May, although the Diet had provided for this step shortly after the Russo-Chinese treaty of 1924 re-established diplomatic relations between those two countries and made Russia's representative there the first foreign Ambassador. Italy had followed suit last year during negotiations for the sale of a considerable number of Italian airplanes to China, and in the middle of May similar steps were taken by the United States, Great Britain, France and Germany. China reciprocated by announcing that her representatives in these countries would be given Ambassadorial rank.

In passing, it is worth noting that the Japanese Army authorities took this change in the status of Japan's representative as an occasion to insist on their right to a determining voice in Japanese foreign affairs. Just after the Cabinet decided to make the change, but before the decision was publicly announced, a delegation of army officers formally called on the Vice Minister for Foreign Affairs and told him that the General Staff felt that such action should not be taken without previous consultation with the army. (The War Minister had approved the Cabinet decision.) On the same day, the War Minister and Vice Minister, and the Chief of the General Affairs Bureau of the War Office, conferred and decided, according to press reports, "to warn the Foreign Office in the future to consult the army before taking measures affecting foreign policy."

NEW MANCHUKUOAN CABINET

Until recently Manchukuo had, from the establishment of its "independence," a Prime Minister who commanded the personal respect of many Chinese in and out of Manchuria. Cheng Hsiao-hsu was an old-style scholar whose personal integrity never had been seriously questioned. But he became either completely disillusioned or too eager for genuine authority, and recently he resigned. The new Premier, Chang Ching-hui, appointed on May 22, was one of the most influential and least respected henchmen of the old Manchurian chieftain, Chang Tso-lin. The Cabinet change does not, of course, foreshadow any change in the real control of the Manchukuoan Government, but, as the *Christian Science Monitor* correspondent puts it, "the loss of Premier

Cheng will be a serious blow to the prestige of the government because he was one of the few idealists connected with it and one of the still fewer whose names gave plausibility to claims of real governmental interest in the 30,000,000 natives of Manchuria."

The British Foreign Secretary and the American State Department officially announced on June 17 that the British and American oil companies which had been doing business in Manchuria were preparing to withdraw from the area because the oil sales monopoly had been put into effect in spite of vigorous official protests to the Japanese Government. Sir Samuel Hoare made his statement to the House of Commons. The State Department told the press. The Washington statement added that the American Government considered the establishment of the oil monopoly to be a direct violation of the Nine-Power and other treaties which guaranteed equality of trading opportunities in China.

JAPANESE FISCAL PROSPECTS

Financial conditions are causing an increasing amount of worry to Japanese leaders. On the government side this has expressed itself in strong civilian pressure on the Army and Navy to cut their expenditures. This subject was one of the first taken up by the newly-created National Policy Council, which on June 18 appointed a special committee to consider the question. On June 26 the Finance Minister went considerably further than he had in previous statements on the subject, declaring that dire consequences were certain and imminent if a stop were not put to the flotation year by year of huge new government bond issues. He and others pointed out that for the current fiscal year direct Army and Navy appropriations take up 46 per cent of the total government expenditures, which is over 70 per cent of the revenues if borrowings are disregarded.

Government expenditures have been running ahead of revenues to the tune of nearly 900,000,000 yen a year since 1931 (the yen is currently about 29 cents). These deficits have been met by the flotation of government bonds. But the country's capacity to absorb such bonds has been almost if not entirely exhausted, and most of the load has been carried by the banks and official institutions. Of the outstanding 8,500,000,000 yen in government bonds, banks and insurance companies hold nearly 50 per cent, and official institutions another 25 per cent. If the Army and Navy appropriations for the current year are met, and the bonds already authorized are issued, the national debt will pass 10,000,000,000 yen—a limit which most Japanese financial authorities agree Japan cannot without very serious danger exceed. Bonds to the value of 150,000,000 yen already authorized for issuance in this fiscal year had not been issued up to June 20, because of uncertainty as to their reception.

"Overproduction," "indigestion" and similar words are being used to explain the price decline and stagnation in the Japanese stock market which have continued for some months and are causing a good deal of uneasiness in commercial and financial circles. Exports continue to expand; in the first quarter of this year they were 20 per cent above those for the same period of last year. But stock prices in May dropped to the lowest level in over a year, and on June 20 thirty selected industrials were 10 points under last year's average.

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THE NEW YORK TIMES COMPANY

CURRENT HISTORY

SEPTEMBER 1935

Labor Under the New Deal

By MAURITZ A. HALLGREN*

THERE are about 32,000,000 wage-earners in the United States. With their dependents they make up at least 65 per cent of the total population. Thus they constitute by far the largest single economic-interest group in the country, outnumbering the farmers by three to one and what may properly be called the business class by ten to one. How have they been faring under the New Deal? Has their lot been materially improved? Do they look to the future with any greater feeling of security than they did, say, in 1932?

While unemployment among the workers has certainly not increased, neither has it been substantially reduced. Counting from July, 1932, the low point of the depression, the National Industrial Conference Board estimates that barely more than 2,000,000 workers have gone back into regular jobs. In the Summer of 1932, according to its findings, there were approximate 12,000,000 without work, while today the total is in the neighborhood of 10,000,000. The American Federation of Labor figures tend to run slightly higher as to totals, but they too suggest that only about 2,000,000 wage-earners have been re-employed. The Federation's reports also show that another one-fifth of the workers (21 per cent of the union membership in June) have been working only part time during the Spring and Summer of 1935. These statistics would seem to indicate that more than half the wage-earners of the country are still without regular full-time employment.

Nor have wage-earnings, as distinguished from total wage-income, shown any increase, although the Roosevelt administration, by implica-

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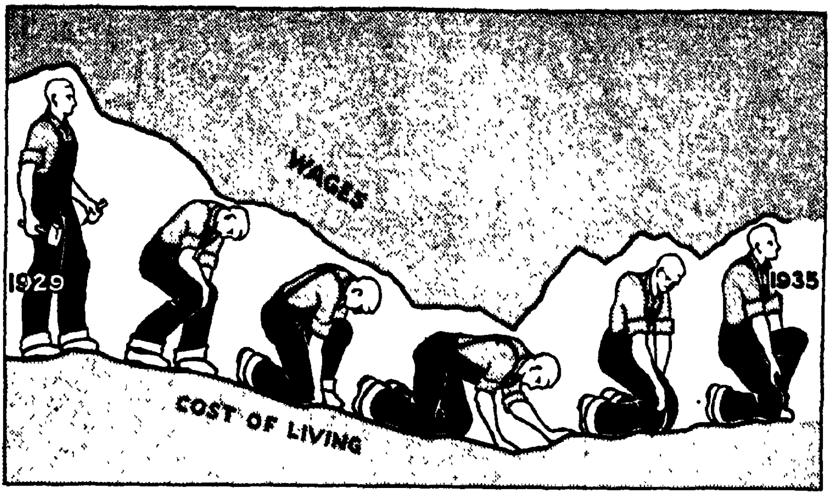
tion if not directly, has held up an increase in earnings as an essential objective of its recovery program. The President, indeed, emphasized the moral as well as the economic aspect of this objective in his statement of June 16, 1933, when he declared that it seemed to him "plain that no business which depends for its existence on paying less than living wages to its workers has any right to continue in this country. * * * and by *living* wages I mean more than a bare subsistence level—I mean the wages of *decent* living." (Italics as in original.)

It is a question whether the American worker has ever received what can justly be regarded as an average wage sufficient to maintain a decent standard of living. Toward the end of the boom in the Nineteen Twenties, for example, the National Industrial Conference Board, an employers' organization, estimated that the average minimum cost of maintaining "a fair American standard of living for the family of an industrial worker" in the larger cities was $31.92 a week. But at the same time the Department of Labor found that the average weekly earnings of factory workers were only $25.26.

By 1932, according to the *Monthly Labor Review,* average weekly earnings had dropped to $17.44, a decrease of 31 per cent. Yet the Labor Department's index of "the cost of goods purchased by wage-earners and low-salaried workers" showed that living costs had gone down only 23 per cent in the same period. In short, the depression had widened the gulf between wage-earners and a decent standard of living. Both living costs and wage rates turned upward after the Roosevelt recovery experiment was launched in 1933, but the disparity between the two remained as great as before. At the end of 1933 the American Federation of Labor reported that "hourly wage rates average higher by 5½ cents per hour, but in many cases this is not enough to compensate for shorter hours, and in no case is it enough to compensate for higher prices." The Federation stated five months later that "the individual worker made no gain whatever in 'real' wages from March, 1933, to March, 1934. His average weekly wage increased 9.7 per cent, but this was completely offset by a 9.3 per cent increase in the cost of living."

Donald Richberg, then executive secretary of the executive council, announced in August, 1934, that from June, 1933, to June, 1934, the first full year of the recovery experiment, living costs had gone up 9.6 per cent, while average earnings in manufacturing had risen only 8.5 per cent. More comprehensive figures may be found in a study undertaken by Leo Wolman for the National Bureau of Economic Research. He disclosed that from June, 1933, to the end of 1934 there was a general decline in real wages. The real weekly earnings of bituminous miners increased 38.9 per cent in this period, while metalliferous miners gained 4.1 per cent. But in manufacturing real weekly earnings decreased 2.2 per cent; anthracite mining showed a decrease of 11.1 per cent; non-metallic mining and quarrying, 8.5 per cent; crude petroleum producing, 7 per cent; telephone and telegraph, 2.2 per cent; electric light, power and gas, 4.1 per cent; electric railroads and motor buses, 3.9 per cent; wholesale trade, 6.1 per cent; retail trade, 4.1 per cent, and Class I railroads, 3.6 per cent.

Wage rates continued to rise in the early part of 1935, but living costs still outran earnings. According to



The Position of the American Worker, 1929-1935

the American Federation of Labor, earnings went up 5½ per cent in the first quarter of the year, but costs increased 6 per cent. The Bureau of Labor Statistics reported that average weekly earnings in manufacturing, which stood at $19.14 in 1934, rose to $20.43 in the first three months of 1935, an indicated net gain of 6.7 per cent. At the same time, however, food prices were 8.6 per cent higher than the 1934 average. Since then living costs have continued to climb, while the collapse of the NRA appears to have checked the wage rise.

As yet it is too early to determine with any certainty what effect the death of the NRA will finally have on the wage structure. The American Federation of Labor has asserted that a wholesale scrapping of the wages and hours provisions of the NRA codes has followed the Supreme Court's ruling in the Schechter case. This has been denied by the industries and companies mentioned in the Federation's complaints. Indeed, most of the larger industries have declared that they will maintain the NRA standards. Evidence collected by the board of investigation set up by the President would suggest, however, that there has been a gradual lowering of wage rates and a lengthening of hours, notably in the boot and shoe and men's clothing industries, where wages have dropped from 10 to 50 per cent, and among department stores and retail shops. While the major industries appear to be holding to the NRA wage rates for the time being, there is no evidence to show that they are increasing the pay of their employes.

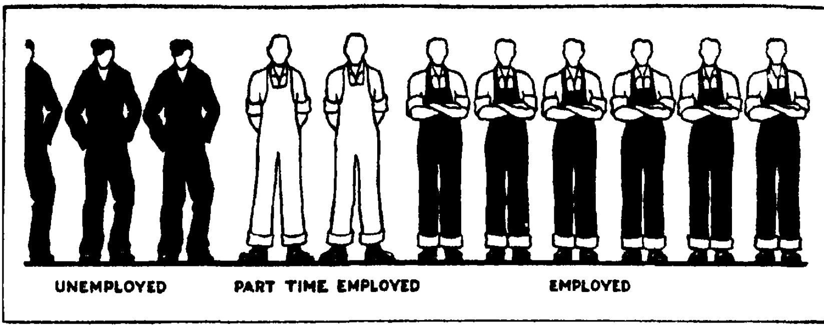
In any estimate of the gains the wage-earners have made, the 10,000,000 or more jobless workers cannot be left out of consideration, for they comprise about one-third of the breadwinners of that class. That they are better off than those who were on relief in 1932 seems evident. Most of them were then dependent upon local charity, either public or private, which in the main meant grocery orders worth from $3 to $10 a week. During the first year and a half of the New Deal a determined effort was

made to increase the amount of relief provided for each jobless family. The Federal Emergency Relief Administration sought to establish a work week of thirty-five hours, with a minimum wage of 30 cents an hour to be paid in cash. This would have provided a minimum weekly wage of $10.50. In some States the minimum was exceeded; in others it was not even approached. In September, 1934, for example, the weekly earnings of workers on relief averaged $18.42 in Pennsylvania and $16.78 in New York, but were found to be as low as $3.70 in Kentucky.

The Civil Works program, launched in November, 1933, sought to raise relief wages generally. By January more than 4,000,000 jobless workers were enrolled by the CWA. At that time their total weekly earnings were $62,024,854, and their average weekly income $14.72, which was considerably above the previous average for the country and within striking distance of the average received by factory workers in private employment. But the CWA was scrapped in the Spring of 1934, largely because employers were complaining that the "high" CWA wages were preventing them from obtaining help when they needed it. Subsequently, too, the relief administration was forced, mostly because of pressure from private employers, to rescind its original order calling for a minimum rate of 30 cents an hour. In consequence average relief earnings appear to have dropped considerably below $10.50 a week.

In announcing his $4,000,000,000 program in January, 1935, the President declared that under this new plan compensation "should be larger than the amount now received as a relief dole," but "at the same time not so large as to encourage the rejection of opportunities for private employment or the leaving of private employment to engage in government work." This clearly meant that, under the new program, relief wages would not be as high as the $14.72 weekly average attained by the CWA. In May the President announced a scale of wages ranging from $94 a month for professional and technical work in the largest industrial centres down to $19 a month for unskilled work in the small towns of the South. Although the relief bill was signed in April, four months later the program has not yet been put into effect. Hence there are no figures available to show what the average earnings under this program might be, though it is presumed that they will run in the neighborhood of $35 to $40 a month, which would be below the $10.50 weekly minimum set by the relief administration two years ago, but higher than the $20 a month average the President found being paid "in most localities" during 1933.

In sum, then, not only have regularly employed workers been moving away from, rather than nearer to, the "wages of decent living," but the millions of workers on relief have been getting nothing even remotely resembling decent wages. Though admittedly somewhat better off than they were before the New Deal, their position appears to be getting steadily worse. It is fair to note in this connection that the Bureau of Labor Statistics in its *Monthly Labor Review* for May, 1935, published a "Budget for Dependent Families, Based on Prices as of November, 1934." For a family of five, including a jobless man, his wife and three children, the bureau estimated that a monthly income of $90.77 would be needed.



Each Figure Represents 4,000,000 Workers

Thus, except for the few technical and professional unemployed in the largest cities (where prices are usually above the average), the millions of jobless on relief are to be paid, under the 1935 program, wages below, most of them far below, the income regarded by this branch of the government as indispensable if they are to meet the primary needs of their families and themselves.

The Roosevelt administration has sought to provide for the future as well as the present. To this end it has adopted a social security program which, while more radical than any ever sponsored by an American President, is still far behind the social insurance systems of the industrial countries of Europe. The program has three main sections. That purporting to deal with unemployment insurance does nothing more than invite State governments to set up insurance arrangements of their own. A second section provides for "old-age assistance." Here again effective action is left to the States, the Federal Government merely promising to match, dollar for dollar, payments made to aged persons by the States up to a maximum of $15 a month per person, which would tend to limit to $30 a month the amount any one beneficiary would receive. Only those aged persons who can prove that they are without means of maintaining "a reasonable subsistence compatible with decency and health" are eligible for assistance under this plan. This, of course, is not insurance, but pauper relief.

Under the third major section the pauper relief would in time give way to a system of pensions financed out of contributions from employers and workers. Contributions would begin at once, but the first pensions would not be paid until 1942. No pensioner would be entitled to more than $85 a month, and to earn this maximum he would have had to be employed steadily at an average wage of $250 a month from the age of twenty to the retirement age of sixty-five. Since the average earnings of American workers at present hardly exceed $100 a month it is readily seen that few would be eligible for a maximum pension. The average pension, based on the current earning power of the workers, would probably be $30 or less.

The government contributes nothing toward the pension plan except its services as bookkeeper. The workers are to pay half the costs directly through a tax on their income, which,

after a few years at a lower rate, will amount to 3 per cent. Employers will ostensibly pay the other half through a tax of a similar amount, but since this tax, from the standpoint of orthodox accounting, must be considered an added production cost, it will in all probability be passed on either indirectly to the wage-earners—as consumers—in the form of higher prices, or directly in the form of lower wages. Essentially, therefore, this "social" insurance must be looked upon as a scheme under which the workers will insure themselves at the expense of their own living stndards.

One of the chief reasons why wage-earners have not gained more is to be found in the fact that in almost every detail the Roosevelt labor program has been paternalistic in character. Government benevolence or paternalism may and at times does benefit the wage-earners, but it always leaves their interests in the hands of a State that is susceptible to the influence of the employing group. Only by independent and effective organization can the working class therefore be reasonably sure of adequately safeguarding and advancing its own interests.

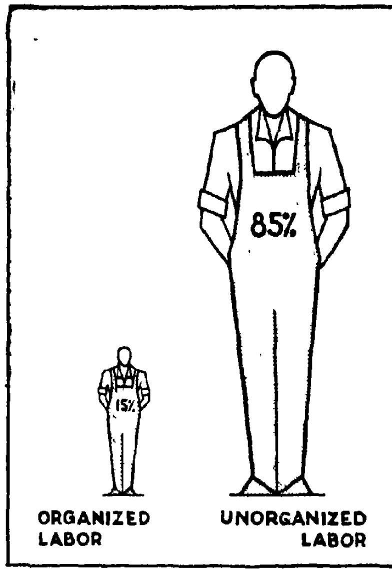
Under Section 7a of the Recovery Act it was supposed that the independent labor movement would be greatly strengthened and enlarged. But this section was also paternalistic in character. Its enforcement was dependent upon the will of the government. Although Section 7a technically had the force of law, the President preferred to interpret it as a declaration of policy and not as a law. He was inclined to take a neutral attitude toward the workers' struggle to organize, leaving it to subordinates to iron out as best they could disputes arising under Section 7a. That their conciliatory efforts succeeded in some cases may be attributed more to their own good will than to the policy of the administration. Nevertheless, there were hundreds of cases of violations that did not yield to compromise, and of these hundreds of instances in only one, that involving the Weirton Steel Corporation, was court action taken. Upon one or two occasions, particularly in the Jennings case and in the automobile controversy, the President departed from his neutrality to side with the employers.

The President obviously could not be expected to take the initiative in a campaign to organize the wage-earners. That was a task that lay with the leadership of the labor movement. Further, his recovery program was itself an obstacle to effective enforcement of the collective-bargaining provisions of the Recovery Act. He was proceeding on the theory that recovery could best be achieved by restoring the profit margin. It would hardly have been consistent for him to have sought to increase profit income and simultaneously to have helped strengthen organized labor in its endeavors to increase wage income.

It is believed by labor leaders that the Wagner Labor Disputes Act, the successor to Section 7a, will prove more effective in promoting collective bargaining. But this probably will not follow, for the new law rests upon the same principle of paternalism. There is little likelihood that an administration that lacked the will to enforce Section 7a will be found any more disposed to support the same law in its new and more elaborate dress. The Wagner Act, moreover, is rigidly limited to simon-pure interstate commerce under the ruling of the Supreme Court in the Schechter case. Lastly, the new law may actually weaken organized labor, for it

empowers the labor boards to determine for themselves the agencies or labor units that may or may not engage in collective bargaining.

It must be acknowledged that organized labor made some progress under the stimulus of Section 7a. This was notably true in bituminous mining, the needle trades, the textile industry and one or two others; in short, in those trades and industries where the workers and union leaders got out and fought for themselves instead of relying upon governmental benevolence. During the first year of the existence of Section 7a, the American Federation of Labor increased its recorded membership to 2,608,011, a gain of 481,215. Since then it has probably gained as many more, bringing its membership to a point slightly above the 1929 level, but still leaving it below the wartime peak of 4,078,740. The authors of *Labor and the Government* (McGraw-Hill, $2.75) have estimated that the total union membership of the country, including independent unions not affiliated with the Federation, is today about 4,200,000. This means that more than 85 per cent of the 32,000,000 wage-earners are still dependent upon the benevolence of employers or the government for protection of their interests.



On the whole, it is apparent, the mood of the wage-earners has been greatly changed by the New Deal. The dread and despair that pervaded this group toward the close of the Hoover administration has yielded to a feeling of hope and expectation. That, at least, was true of the first year or eighteen months of the Roosevelt administration. Not that the workers had suddenly become satisfied with their economic prospects. Indeed, labor unrest increased after Mr. Roosevelt took office, and in 1933-34 a strike movement developed on a broader and more violent scale than any the country had known since 1919. That many of the workers felt it necessary to strike for higher wages was in a sense a reflection upon the promises and policies of the Roosevelt administration. A majority of the strikes, however, were called, not to obtain higher wages, but to win recognition of unions; that is, to compel employers to abide by the collective-bargaining provisions of the Recovery Act. Many of the strikers believed that they were fighting both for themselves and for the principles and ideals which they had been persuaded were of the very essence of the New Deal.

Recently there has been noticeable a distinct, though as yet not widespread, weakening in the faith and the hope of the wage-earners. It is not that the despair of 1932 is reappearing, but rather that the workers are becoming somewhat cynical—to

judge by the labor press and the remarks one hears at labor meetings—with regard to promises issuing from Washington. Whole groups of workers are discovering that they have no place in the New Deal. The Negroes offer an outstanding example. Some legislation even goes so far as to name the groups that are being ignored. Under the social security program, for example, household domestics, farm hands, itinerant workers and the employes of small establishments are specifically excluded. But the chief cause of the waning faith lies in the failure of earnings to keep pace with living costs. And there can be little doubt that as more and more of the workers learn that the social security scheme provides no real or substantial security against the uncertainties of the future, their confidence will be further undermined.

One of the avowed objectives of the New Deal was the attainment of a balanced economy. The farmers have been helped. Their buying power, in terms of the ratio of prices received to prices paid, has been increased 50 per cent or more. They are today receiving more than 10 per cent of the national income, while in 1932 their share was only 7.5 per cent. Many business enterprises, particularly the larger ones, are earning greater profits or wiping out deficits. Corporations reporting to the National City Bank reveal a profit gain (less deficits) of 32 per cent in 1934, as compared with 1933, while the gain is apparently being maintained at the same rate in 1935. But thus far the effort to balance the national economy has brought no measurable gains to the wage-earners, who constitute by far the largest class in the country. Their share of the fruits of American productivity, as a result of the New Deal, is so far somewhat smaller than it was in 1933 and considerably smaller than it was in 1929.

The Battle of the Currencies

By ELLIOTT V. BELL*

IN May, 1931, when the world seemed about to work its way out of the business slump that had begun in the United States some eighteen months before, there occurred in Central Europe an event which was to superimpose upon that slump a monetary crisis of unprecedented fury. In Vienna the Kreditanstalt, the largest private bank in Austria, failed, lighting a powder train which flashed across the financial markets of the world. The monetary standard of country after country blew up until, in the space of two years, the ordered relationships of currencies had been reduced to chaos. The post-war restoration of the gold standard, which had taken twelve years to accomplish and in which bankers, business men and governments had placed such high hopes, was wrecked.

The failure of the Kreditanstalt started a run of foreign creditors upon Germany, which, within two months, forced that country to suspend payments on its foreign debts. The international bank-run spread to Great Britain, and by September, 1931, the Bank of England was compelled to suspend gold payments.

Because it had been the practice for a large number of foreign central banks to keep their reserves in London, and because of the great importance of the pound sterling in international trade, the fall of the pound compelled a number of other countries to suspend the gold standard. On the very day that Britain fell from gold, Colombia, Egypt, India, British Malaya and Palestine followed suit. Within a week Bolivia, the Irish Free State, Norway, Sweden and Denmark had also gone off gold. Before the year was out these had been joined by El Salvador, Finland, Canada, Japan and Portugal. Thus was created the sterling area, a world-wide group of nations linked to Britain by ties of currency and trade relations. In the following year, 1932, Ecuador, Chile, Greece, Siam, Peru, Yugoslavia and the Union of South Africa abandoned the attempt to remain on gold.

By the Spring of 1933 the deflationary consequences of the suspension of the gold standard in Britain had combined with other factors to drive the United States off gold, and in the same year Austria and Estonia took similar measures. Since then Belgium, Danzig and Luxembourg have devalued and the thread that ties Germany, Poland and Italy to gold has been stretched almost to the breaking point.

The consequences of this monetary crisis, when added to the business depression, have been a calamitous fall of world prices and the strangulation of international trade. Now, after four years of monetary warfare, the world is weary for peace. Stabilization of currencies is perhaps the foremost international problem of the day. Chambers of commerce, local and international, declared themselves for

*Mr. Bell, a member of the financial news staff of *The New York Times*, contributed to July CURRENT HISTORY an article entitled "Who Shall Rule the Money Market?"

it; bankers and economists, severally and in groups, insist upon it as a prerequisite to further recovery; and statesmen, disillusioned with the results of currency depreciation, make conciliatory gestures.

To understand the intensity of this demand for stabilization it may be helpful to contrast the present conditions in the foreign exchange market with those which existed until the World War. For nearly 100 years before 1914 Great Britain had been on the gold standard. The Bank of England stood prepared to pay out gold in redemption of its notes or to buy gold in return for its notes at fixed prices, corresponding to the gold content of the sovereign.

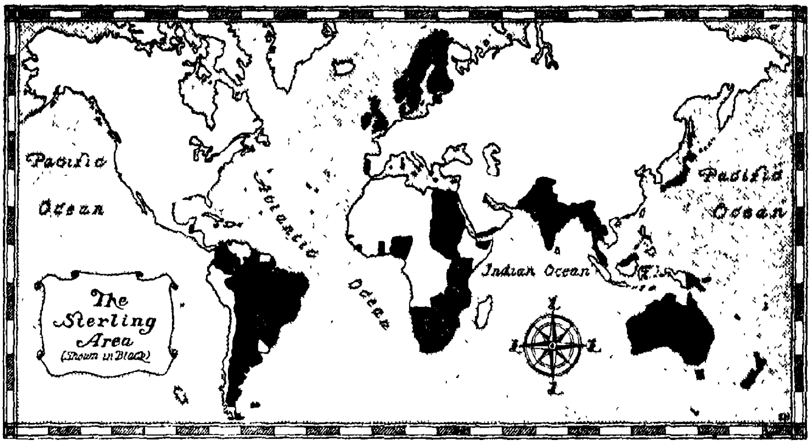
Because of its long standing as a gold currency, freely redeemable, the pound had become the currency of international trade. When merchants in one country sold to those of another the payment was generally made by means of a sterling bill, that is, a draft on a London banking house, payable in pounds sterling. The seller knew exactly what he was being paid and the buyer exactly what the transaction was costing him. Each understood that there would be no difficulty in purchasing or selling the sterling exchange needed to fulfill the deal.

Since every currency was linked to gold at a definite ratio, the currencies of the various nations had an exact relationship to each other, called "gold parity," which was determined by comparing the respective amounts of gold for which each was redeemable. Thus the amount of gold in the dollar could be divided into the amount of gold in the pound 4.866563523 times and the pound was therefore worth about $4.86.

But today the pound is an irredeemable paper currency. Its value is determined by supply and demand. Today it may bring $4.86, a week from now $4.96 or $4.76 or even more widely varying prices. The old certainty upon which international traders relied is gone. An exporter who receives sterling for goods sold abroad may see part of his profit disappear through the fall in the pound before he can dispose of his sterling bills. Another merchant, planning to purchase goods in London, may find the price has suddenly become prohibitive because of an unexpected rise in the pound. The hazards of these fluctuations work their way in widening circles throughout the field of international commerce and finance. When to the fluctuations of the pound there are added the individual fluctuations of virtually all other currencies, the world of international business is turned into a bedlam.

But there is another consequence of unstable currencies which is even more important than the hazards of the foreign exchange market. This is the deflationary thrust exerted upon world prices by the depreciation of a currency so important as the pound sterling. Let us say that a manufacturer in Sheffield can turn out a particular kind of carving knife to sell abroad at the equivalent of one pound sterling. With the pound at parity this is equal to $4.86, and that is the price, disregarding tariffs and other extraneous items, which an American competitor must meet.

Suddenly the pound sterling falls to $4 or, as in December, 1932, to $3.14. To the British manufacturer a pound is still a pound, and a pound per carving knife gives him his profit. But the knife can now be sold in America for far less than formerly. The American competitor must meet this price or go out of business. This



is what is known as "foreign exchange" dumping. Actually what happens is that the countries which find themselves faced with an influx of cheap goods from countries with depreciated currencies immediately raise tariffs, or set up quotas or embargoes. These in turn lead to retaliation and the flow of international trade is more and more obstructed.

The illustration is, of course, highly oversimplified. Prices are not only driven down by the influx of cheap goods from countries with depreciated currencies; our own products find markets curtailed by the reduced buying power in dollars of foreigners whose currencies have declined. If the price of American cotton, wheat or automobiles rises 50 per cent in terms of sterling by virtue of a fall of one-third in the dollar value of the pound, then obviously Britishers can buy fewer American automobiles, less American cotton and wheat, and if the United States is to sell any of its export surplus it must cut prices to meet the levels at which depreciated currency countries can buy. Another alternative, which is the one the United States eventually took, is to cut the dollar loose from gold and to allow it to depreciate until we, instead of Great Britain and the other countries, enjoy a competitive advantage. When that is done the full force of the deflation set in motion by competitive currency depreciation is hurled against the surviving gold-standard countries. To protect themselves they raise tariffs and set up quotas, further restricting trade. Yet such measures cannot prevent the price level from being driven down.

Thirty-six countries have now depreciated their currencies from the pre-depression levels and virtually the entire world is off gold. To secure agreement among so great a number of nations, each one of which is seeking to obtain an economic advantage over the others, is hopeless. Fortunately no such ambitious undertaking is needed. Stabilization, as a practical matter, involves the re-establishment of fixed relationships among the dollar, the pound sterling, the franc and one or two other important exchanges. If this could be accomplished the lesser currencies would gradually work back to the gold standard or to some fixed relationship with the leading gold-standard currencies.

But even the essential three-cor-

nered return to fixed parities by the dollar, the pound and the franc is a hard task. Behind the present currency disorder stand the mistakes of the post-war stabilization, which are largely responsible for the extent and duration of the depression.

Following the war the pound sterling, the franc and other leading currencies were depreciated rapidly and a condition of currency disorder like that now prevailing set in. Then, as now, business men and bankers clamored for a return to the ordered currency relationships of the gold standard. In the high hopes of the reconstruction period it was felt that a return to gold would solve many of the economic dislocations left by the war. But the return to gold was badly bungled. Great Britain restored the pound to its old parity, $4.86, making no allowance for the increase in her debt, the rise in her costs of production and the changes in her balance of international payments which had been produced by war. France, on the other hand, revalued the franc at about one-fifth of its former parity.

The old gold value to which the pound was restored turned out to be too high, while the new gold value to which the franc was pegged turned out to be too low. Because of the high price of the pound sterling Britain's costs and prices were dear in terms of other currencies, while those of France were cheap, and as a result Britain was saddled with an artificial handicap in international trade while France acquired an artificial advantage. In a flexible system this might have been corrected in time through a fall in British prices and costs, particularly costs of labor, and a rise in French prices and costs, but the modern economic system did not prove flexible enough to make this adjustment. Britain suffered from the mistakes of the post-war restoration of the pound to its old gold parity and she it is, naturally enough, who now shows the greatest reluctance to rush into a new stabilization.

Stabilization is by no means an exact science. Even if economists could provide a precise formula for determining the true parities of currencies, there would still be the thorny question of practical politics to overcome. When and if the representatives of the United States, Great Britain and France sit down to bargain on stabilization, each will be expected to secure advantages for his own country, while any concessions will be bitterly attacked by political opponents at home.

The outstanding theory for determining the value of one currency in terms of another is that of purchasing-power parity, which holds that the relationship between currencies should be based upon equivalent purchasing power in their respective markets. That is, if the proper sterling-dollar rate is $4.86 to the pound sterling, then one pound in England should buy as much as $4.86 will buy in the United States.

This theory is perhaps too simple. It fails to explain why it was that before the World War, when currency relationships appeared entirely satisfactory, prices in the United States were higher than in England, in England higher than in France, in France higher than in Italy and in Italy higher than in Japan. But it is plain from the experience of the pound sterling and the franc in the post-war stabilization that relative price levels cannot be ignored in the return to gold.

Practical bankers incline to place more importance upon the question of the international balance of payments. According to this school of

thought, if, after a period of trial with a specific currency level, a country's balance of payments seems to be in equilibrium, as shown by a lack of excessive gold movements, approximately the right parity has been determined.

When the gold standard broke down in 1931, bankers and economists everywhere declared that before there could be any permanent restoration certain fundamental conditions would have to be fulfilled. As outlined by the gold delegation of the League of Nations in 1932, these essential conditions included: (1) The restoration of a reasonable freedom in international trade; (2) a solution of the problem of war debts and reparations; (3) the restoration and maintenance in each country of economic equilibrium, including the balancing of budgets and the adjustment of costs of production and costs of living. None of these prerequisites has been met.

There is now a growing tendency among bankers and business men to disregard the earlier agenda and to insist that stabilization itself will bring about the necessary adjustments. To wait for the adjustments, it is declared, would delay stabilization indefinitely. Yet it was precisely the lesson of the post-war stabilization that restoration of the gold standard, without adjusting the conditions which brought about its collapse, only leads to new and more serious currency disorders. The present stabilization problem is, in effect, a continuation of the post-war problem, recurring now because it was never correctly solved.

The experiences of the post-war stabilization period and of the past few years explain the present divergent points of view of the principal nations toward stabilization. France, which prospered during the post-war period and which now clings precariously to gold, buffeted by the full force of the gold-price deflation, is eager for a truce in the currency war. Faced with a formidable budgetary problem, she is continually subjected to speculative attacks upon the franc and to the flight of domestic capital. So long as the present unstable currency conditions prevail she faces recurring crises. The alternative—to abandon gold and depreciate the franc — is highly inexpedient. As French public opinion is irreconcilably opposed to such a move, French political and financial leaders, almost to a man, have pledged themselves to uphold the gold standard "to the last drop of blood."

France desires stabilization to avoid the now impending danger of being forced off gold against her will. This desire probably does not preclude the possibility of some cut in the gold value of the franc if it could be undertaken in an orderly way in conjunction with the return to fixed parities of the pound and the dollar. The position of the two other survivors of the gold bloc, the Netherlands and Switzerland, is precisely the same.

The United States is friendly to stabilization, as is natural enough at the present time, although it constitutes a marked reversal of the stand taken two years ago when President Roosevelt cabled to the London Economic Conference that it would be a "castastrophe amounting to a world tragedy" if the conference were to be diverted toward the question of stabilization. But in the meantime conditions have changed. The commodity dollar has been tried and rejected, while the dollar, cut to 59.06 per cent of its former value, has been tentatively restored to gold. At this new

Factors Favoring Currency Stabilization

1. Desire of France and the United States to preserve the status quo in foreign exchange relationships.
2. The business and banking demand for stable money.
3. Disillusionment on the part of politicians with currency tinkering.
4. Fear that unless stabilization is soon accomplished the gold bloc may go off gold, leading to intensified currency warfare.
5. Fear that continued currency instability in a period of recovery may lead to inflation.
6. The fact that Britain and the United States have already devalued about as much as they want to.
7. Belief that without stabilization further recovery is impossible, and that the existing recovery may be jeopardized.
8. Presence of larger gold reserves as a result of increased production, "dehoarding" by India, recovery of scrap gold and devaluation, making it easier to maintain a re-established gold standard.
9. Belief that a period of rising prices is ahead which will compensate for possible errors in fixing new parities.

level it is clearly undervalued, as witness the $2,000,000,000 in gold, exclusive of "gold profits" accruing from devaluation, which this country gained in the first eighteen months following the devaluation of the currency on Jan. 31, 1934.

Now the United States wants to maintain approximately the current foreign exchange rates, for if the gold standard collapsed and led to renewed currency depreciation in Europe the result might easily be to leave the dollar at its new parity no longer undervalued, but possibly overvalued. With France off gold, the pound sterling, which has been selling somewhat above its old dollar parity, might easily depreciate to a level which would bring fresh demands from the inflationists for a new cut in the dollar.

The viewpoint of Great Britain is affected by the bitter lesson of the post-war stabilization and the relatively happy results in the past four years of an unstable currency. Britain's Chancellor of the Exchequer, Neville Chamberlain, has repeatedly declared that her "ultimate objective" is a return to the gold standard, but he has added that it would be futile to bring about currency stabilization until there were prospects of some stability in general economic conditions.

Before stabilization can be achieved the British Government considers it essential that there should be: (1) A rise in commodity prices, accompanied by an adjustment between costs and prices which will permit industry to operate at a profit; (2) removal of barriers to international trade; (3) a final settlement of war debts; (4) some means of avoiding price fluctuations arising from monetary causes; (5) reduction of the disparity existing between the dollar and the franc. The last point refers to the fact that, in Britain's opinion, the dollar is now undervalued while the franc is too high. The British seem to feel that little progress can be made toward stabilization until France and her fellow-survivors of the gold bloc have suspended gold payments.

Apart from the three principal

Obstacles to Currency Stabilization

1. The fundamental conditions which led to the breakdown of the gold standard—war debts, trade barriers, unbalanced budgets—still exist.

2. Britain, having achieved some recovery with unstable exchange and having in mind the errors of the post-war stabilization, is reluctant to return to gold without assurance that proper conditions have been established.

3. Undervaluation of the dollar and overvaluation of the franc.

4. American silver policy, which is a disturbing and unpredictable factor in world monetary affairs.

5. President Roosevelt's right to devalue the dollar at any time to 50 per cent of its former parity.

6. The difficulty of securing agreement among nations now off gold.

7. The practical impossibility of discovering the correct parities.

8. The fact that conditions have been created which may lead to important future price changes affecting parities established at this time.

9. The problem of determining the kind of gold standard to adopt.

10. Political obstacles here and in Great Britain to necessary concessions.

11. Political barriers to devaluation by France and the well-nigh universal belief that stabilization with the franc at its present level could not last.

countries there are others, only slightly less important, which would have to be considered in ultimate stabilization plans. These include Germany, where the mark is still theoretically linked to gold but actually has been supplanted in international trade by a complex system of "blocked" exchange which sells at discounts of 45 per cent or more from the nominal value of the mark; Japan, with the yen at about 35 per cent of its former parity, and Italy, standing in a twilight zone, for the lira has not actually been devalued, but is held to gold by only the most slender threads.

The factors favoring stabilization, apart from the increase in the world's gold reserves, are largely psychological, while many of the circumstances opposing it are hard facts. Under the circumstances, the outlook for an early world-wide return to fixed gold parities appears gloomy enough, but that is not to say that much cannot be done in preparation.

The first step, obviously, should be an understanding among the United States, Great Britain and France as to what are the monetary objectives of each country. Such preliminary moves must of necessity be secret, for to state an objective in currency affairs would cause speculators to anticipate the result. At the same time, those charged by the respective countries with the task of attaining stabilization must have authority, if any progress is to be made, to pledge their governments to some extent. A possible agenda might include the following:

1. Preliminary arrangements among the various central banks and government stabilization funds to provide for active cooperation to minimize fluctuations in exchange rates.

2. A conference among representatives of the United States, Great Britain and France to decide upon approximate future parities for the three currencies based upon a study of their respective price levels and their balances of payments.

3. Cooperative action by the various exchange "controls" to achieve those parities de facto.

4. A second conference at which

Germany, Japan and other nations should be brought into the stabilization movement and plans completed for actual stabilization.

Without waiting for the experts to complete their studies or the politicians to make their bargains, it is impossible to determine exactly what the new parities might be. But assuming that the dollar is to continue at its present level, since a rise above that level seems to be politically impossible, then the pound sterling should probably be stabilized no higher than $4.75. The franc, at a guess, should be devalued from 15 to 20 per cent, or to somewhere between 5.64 cents and 5.30 cents, compared with its present parity of 6.6335 cents. Such parities, of course, would be contingent upon a reasonable stabilization of the yen, the mark and other of the world's less important currencies.

The final plan should provide for the settlement of the war-debts question on a basis which would not distort the international balance of payments. Tariffs may possibly be left to later adjustment. The United States would have to end its disastrous silver experiment, or at least undertake to govern its silver policy in a way so as not to disturb exchange relationships. Finally, it would be necessary to provide for a new and workable form of the gold standard—our own system might well serve as a model.

Some of the smaller countries, such as those of Scandinavia, might decide not to return to gold, but to continue on a managed currency basis. Such an arrangement would not materially detract from the stability of the world monetary system. On the contrary, it might aid matters by effecting an economy of gold.

The program is not impossible, but it is one that may take years to complete. The first step, however—cooperation to minimize existing fluctuations in exchange—is probably near at hand. There have been numerous signs in the past year that the nations are approaching some such armistice in the monetary war.

Italy's Gamble for Ethiopia

I—A Test for Diplomacy

By ALLAN NEVINS*

HAD anyone predicted a year ago that the question of the survival or extinction of a little African nation would eclipse all other international problems he would have been scoffed at. Yet in this issue of Ethiopia is now bound up the prestige of Mussolini and the pride of Italy as a world power. It involves momentous possibilities of change in the European balance of power, and equally momentous possibilities of conflict between white and colored races in other parts of Africa and in Asia. It will vitally affect the position of the League of Nations and may conceivably cripple still further that greatest of hopes for an effective organization of world peace.

Grave as the Italo-Ethiopian crisis was at the beginning of July, it had become decidedly more threatening five weeks later. The half-hearted League effort to deal with the situation through a conciliation commission had broken down before the middle of July. Italian determination had manifestly stiffened. More divisions had been called to the colors, a stream of transports had been kept hurrying through the Suez Canal, and the press had spoken in ever more menacing language.

A meeting of the League Council at the beginning of August resulted in nothing but a postponement and a remission of the question to stronger hands. The League can obviously do nothing to halt "Mussolini's war." Great Britain might, but, as Lloyd George says, she will not act alone—and France has shown no disposition to act with her. A slight chance of peace still remains in the Three-Power negotiations that early in August were scheduled to begin on the 16th; but peace will have to be purchased, and at a price that Mussolini is in a position to make very stiff.

The great question as the first week in August ended was whether Great Britain, France and Ethiopia could or would agree upon a purchase price, and agree upon it in time. The sands are running out. By the beginning of September Mussolini will have the 400,000 men (100,000 regulars, 75,000 Black Shirt militia, 100,000 native troops, 40,000 garrison troops, 30,000 workmen and numerous aviators and other special units) which he is said to desire before striking. Early in September the rainy season ends. There is to be another session of the League Council on Sept. 4, but Italy has not promised to send a delegate. The belief of all observers in East Africa is that if nothing is done beforehand to stay his arm Mussolini will set his legions in motion early in the month. Rapid action will be required in the brief period yet remaining.

Can Great Britain and France find some substitute for the conquest of

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Ethiopia that is acceptable to Mussolini from the standpoint of personal prestige and to Italy from that of national advantage, and that is yet not wholly intolerable to the proud-spirited Ethiopians? If this substitute requires sacrifices of their own, will they make them?

The answers to these questions obviously depend upon still other questions. What are Mussolini's minimum demands likely to be? At what point will the Ethiopians choose to fight rather than to yield another square inch of land or make another economic concession? What helpful territorial concessions might England or France be persuaded to offer? As these lines are written in the first weeks of August, the answers to such questions are still unknown. But one assumption seems perfectly safe: Italy will either proceed with the war, or will be well paid for abandoning it—will, in short, have been successful in one of the greatest pieces of international blackmail in modern times.

The purposes of Italy have been greatly clarified within the past month. At the outset, as all observers agree, the Ethiopian adventure was Mussolini's own, and was far from a popular undertaking. He was advised against it by his principal subordinates. At the outset, moreover, he pointedly refused to indicate even to other Italian leaders just how far he wished Italy to go in Ethiopia; whether he would be satisfied with large economic concessions, with a protectorate, with partial annexation, or with nothing less than complete conquest. Even leading men in the Italian Foreign Office and War Office have been confessedly in the dark on this question. Anne O'Hare McCormick has written in *The New York Times* that Mussolini himself confessed to her about July 1 that he had not yet made up his mind.

But as time has passed, Mussolini has swung more and more clearly toward insistence upon complete conquest—or a round practical equivalent. He was probably thinking of the equivalent when he informed H. V. Kaltenborn on July 16 that "peace is possible." Addressing a company of departing Black Shirts on July 10, he said that Italy had entered upon a struggle which "we have irrevocably decided to carry to its conclusion." He told an interviewer for the *Echo de Paris* in a notable statement on July 21 that "Italy is certain to impose her will," and added that when Europe ceased to exercise her "historic mission" of colonizing savage lands she would have fallen into decadence. The tone of the Italian press and Italian spokesmen (even Luigi Pirandello, visiting New York) has become uncompromising. Rome and Milan newspapers declare that nothing less than an "integral solution," meaning complete subjugation, will be acceptable. Ethiopia faces extinction.

And during July and early August Mussolini apparently completed the task of infusing Italy with his own enthusiasm for the costly and dangerous venture. The younger Fascists, who have grown up under the present régime, were enthusiastic from the start; the others have now fallen into line. To give the undertaking a semblance of dignity and to arouse national fervor, he has made the most of foreign opposition. Just as for years hostility to France and abuse of the Little Entente were systematically encouraged in the Italian press as a means of cementing national unity, so in recent weeks the well-drilled Italian newspapers have been full of attacks upon Great Britain and Japan as well

as Ethiopia. These have been marked by gross misrepresentation and calumny. Both the Japanese and British Governments are reported to have lodged informal but emphatic protests.

Great Britain in particular has been held up as a hypocritical and greedy power which is opposing Italy only because of her own insatiable appetite for territory and her desire to bring Lake Tsana and the sources of the Blue Nile under the British flag. In view of the century-long ties between Great Britain and Italy, ties so close that Italy stipulated in entering the Triple Alliance that she must never be asked to fight Great Britain, the anti-British campaign has been as astonishing as it has been unscrupulous. But it unquestionably did much during July to change the attitude of Italians toward the Ethiopian conflict. And that was undoubtedly its object.

As the war fever has risen in Italy, it has become evident that minor concessions cannot possibly satisfy Mussolini or his people. A dictator works in a peculiar atmosphere, his very existence depending upon his prestige. Beyond doubt Mussolini was largely actuated in entering upon the adventure by the economic stress now felt in Italy and the political discontent which it has generated. For him to withdraw without large tangible gains would be absolutely ruinous The return empty-handed of several hundred thousand soldiers who have suffered heavily in the fierce climate of the Red Sea littoral might well be the signal for revolution. Italian correspondents of the French and British press attribute to Mussolini the desire to establish an East African empire comparable with that of France in North Africa. He is said to expect to settle 3,000,000 Italian colonists on the Ethiopian uplands and thus diminish the overpopulation of his country. Mere economic privileges would be far from the equivalent of such an outlet.

It must also be remembered that Italy has long felt that she was cheated in the distribution of the spoils of war. The Allies made lavish promises in 1915. She expected to emerge from the conflict an imperial power, with a colonial empire proportioned to her population and ambition, and with ample opportunities for expansion. Few countries need the raw materials of industry—coal, iron, oil, cotton, wool—more sorely.

When Mussolini was invalided out of the army in 1917 he devoted much of his writing in the *Popolo d'Italia* to demanding a large share in the territorial conquests of the war, a popular cry. The disappointment of Italian hopes had much to do with the revulsion of opinion, the general discontent, which overthrew the flimsy structure of liberalism in Rome and installed Mussolini in power. Cyrenaica, Eritrea, Somaliland, are so largely barren as to be almost worthless economically and quite worthless as homes for large colonial populations. The old Italian hopes of the war period have now been reawakened. The press has printed tempting descriptions of temperate and fertile Ethiopian valleys; the pioneering spirit has been aroused in Italian youth. To Italy it seems that protests come with bad grace from nations that acquired so much territory in 1918.

Thus all the developments of the past six weeks in Italy have made for a war of subjugation in Ethiopia, to be followed by complete annexation. The two factors that have suggested caution are the fear of financial difficulties, and the apprehension that a long and bloody campaign may be

required. But there is no evidence that either fear weighs very heavily in Rome.

Italy's financial position, to be sure, is patently bad. On July 22 the government was forced to suspend the 40 per cent gold coverage which had been fixed for her paper currency in 1927. The budgetary deficit for the year 1935-36 was estimated some time ago at $170,000,000, and the cost of military preparations is fast swelling the figure. The nation has a fast-increasing national debt, an adverse trade balance, a credit so poor that British coal interests have been reluctant to continue shipments on short-time paper, and a tax burden which Mussolini himself says has reached its utmost limit. The problem of Italy in transferring funds to pay for indispensable imports—practically all her coal, iron, cotton and petroleum must be bought abroad—is already serious. Last December the government took over all foreign securities owned by Italian nationals and has been using them to pay for purchases, but this resource cannot last indefinitely. What America thinks of Italian finance is summed up in the quotation of Italian 7 per cent bonds in New York at between 60 and 70. Even a short war would place a terrific strain upon the Italian Treasury.

Moreover, assuming the war to be successful, it would mark only the beginning of Italian expenditures under the heading of Ethiopia. The natural resources of the land are still largely unexplored and in great part problematical. There are certainly deposits of iron, copper, lignite and other minerals, but are they in quantities and locations that would make extraction on a commercial basis profitable? The British Department of Overseas Trade states that "no sign appears to indicate that the deposits of gold or platinum provide opportunities for anything but 'small man' workings." While the growing of cotton, coffee and rubber may well be developed into flourishing industries, that remains to be proved; and Ethiopian agriculture is still in the pastoral stage. Assuredly, before any resources can be exploited in paying degree, large sums must be spent in building railroads and highways and in installing machinery in a land of great topographical difficulties. Anyone who has studied the French, British and Japanese investments in Morocco, Kenya and Manchukuo, respectively, knows what huge sums even rich and fertile territories swallow up before profits appear.

But the cold fact is that financial considerations never deter any nation that is really bent on conquest. The one purpose for which money can always be found is to fight. Nations can, indeed, fight long and hard with surprisingly little money. Rome announced on July 27 that the Italian banks had immediately absorbed a Treasury loan of 1,000,000,000 lire in one-year bonds, and that owing to the economic boom resulting from large orders for war materials the Treasury expected a considerable increase in revenue. The cost of the Ethiopian war has been estimated by neutral observers at about 10,000,000,000 lire, or $825,000,000, though no such estimate can be worth much. Italy is confident of ability to raise that sum. And if and when Ethiopia is conquered, she is confident that she can find the money with which to colonize and develop it. Financial apprehensions will not restrain Italy. As for military apprehensions, Mussolini obviously expects to win by sheer weight. An army of 400,000 men, heavily mechanized, with fleets of airplanes, means simply that he is taking

none of those chances which Italy took and rued at Adowa.

In the face of overwhelming odds, Ethiopian courage has challenged the admiration of the world. On July 18 the Emperor Selassie made a stirring appeal to Parliament and his countrymen to struggle to the last for the independence of the nation. He promised to die—as King Theodore did when the British under Napier conquered the country—rather than submit. Mass recruiting for the army began on Aug. 1. Strategic positions upon all fronts, but especially in the north, have been fortified under the guidance of European experts. Large troop movements, for the most part secret, have taken place. Men are being trained and stores of provisions accumulated. More than once Selassie has spoken bitterly of the virtual world embargo on arms shipments to his little nation. The French-controlled railroad from Jibuti has refused to carry munitions, half-executed contracts in Belgium and Czechoslovakia have been canceled, and even Great Britain has temporarily interdicted all shipments—suspending licenses early in July "until further consideration." But the little, half-armed nation is preparing to die in the last trench rather than see the independence maintained for so many centuries stamped out.

Yet, while immovable upon the question of national sovereignty, the Emperor has indicated that he would make very large concessions if they did not compromise Ethiopian independence. In a special cable to *The New York Times* on July 13 he declared that he would not accept a railroad to connect Eritrea and Italian Somaliland through Ethiopia, policed by Italian troops, for that would inevitably lead to annexation. But he added that he would be glad to negotiate with Italy on purely economic grants and privileges. He has also indicated that he would by no means be averse to an exchange of territory. In his speech of July 18 he mentioned the British offer of the port of Zeila, which he said Ethiopia was willing to discuss, but which "Italy brutally swept aside." He would be willing, as he has told interviewers, to give up the Province of Ogaden, which fronts on Italian Somaliland; and it is conceivable that he might give up more if necessary to save his nation.

After all, in 1900 a frontier dispute with Italy was tacitly settled by allowing the Italians to occupy part of the high plateau facing Eritrea. It is more of the plateau and mountain-valley country that Italy chiefly desires. In Ethiopia's 350,000 square miles there is much land out of which wandering tribes might be cleared without grave hardship, and for the surrender of which a Red Sea port and a full guarantee of future independence would seem ample recompense. In this direction hope of peace may still lie.

The British offer of Zeila might not only be repeated but augmented. As Malcolm MacDonald, the new Colonial Secretary, told the House of Commons on July 8, British Somaliland is only a protectorate. The tribes inhabiting it are held in only a loose suzerainty to George V, and with their own consent might easily be made over to Ethiopia. France, which profits by the monopoly of Ethiopian commerce held by the port of Jibuti, has shown irritation over the British generosity. But France may yet see reasons for desiring peace that outweigh that insignificant bit of trade.

As the crisis has become intensified and the prospects of peace have

waned, the sympathy of the colored, Coptic and Moslem populations of the world for Ethiopia has risen like a tidal wave. In the United States, as August opened, Negro mass meetings were being held, funds raised and Negro soldiers and nurses encouraged to volunteer for service. Indignation meetings have been held in the Antilles. In Transjordania the Emir has given the world an eloquent expression of Arab sympathy with the Ethiopians, and a blistering excoriation of Italian greed and ruthlessness. The Coptic Patriarch in Alexandria on July 28 called a meeting of the Coptic Community Council to discuss measures for showing sympathy for the Ethiopian Copts.

In Turkey, which remembers how Italy took Tripoli from the old Turkish Empire, expressions of anger are also loud and frequent. The Turks are aware that for years only their own military strength has kept the Italians from attempting to seize part of Anatolia. The Arabs of Northern Africa, recalling the atrocities of which Italy was accused in repressing Tripolitan insurrection, have expressed the same sentiment.

From French Senegal to British Zululand and Portuguese Angola the native races of Africa are learning of the Italian threat and showing resentment. Even in far-off India and Indo-China there may be repercussions. Is this war, the natives will ask, another chapter in the eternal subjection of the colored races to the whites?

It was doubtless not without thought of Negro feeling that President Roosevelt declared on Aug. 1 "the hope of the people and the government of the United States" that the League might find an "amicable solution" of the dispute. That same day Sir Samuel Hoare, British Foreign Secretary, made a speech in the House of Commons that went distinctly beyond his assertion of July 11 that the war would be needless and unjustifiable. He said in effect that it would be criminal. For generations, he pointed out, Great Britain and France had striven to lessen the friction between the white and colored races of the globe. "A war that claimed to be a war between the white and black races" might well, he thought, lead to "a formidable unsettlement of the great colored races of the world." This was a pointed rebuke to Mussolini for the speeches in which he has insulted the Ethiopians as "barbarians" and "savages." But the speech was not intended chiefly for Italy, where it evoked the inevitable chorus of protests from the parrot-press. It was aimed at France, which has as large a stake as Great Britain in allaying discontent among the dark-skinned peoples of Africa and Asia.

When Sir Samuel Hoare spoke, the meeting of the League Council had just begun (July 31) in Geneva; but as we have said, it was a singularly futile meeting. It was made necessary because the Italo-Ethiopian Conciliation Commission, which on June 25 had begun work at Schevenigen in the Netherlands, had been forced to give up its efforts as a bad job. The two Italian members had refused to accept any evidence as to the Walwal incident which bore upon the position of the boundary lines—which brought out. that is, the fact that Walwal is sixty miles inside Ethiopian territory and that the Italian patrol had no business there whatever. When the four members failed to appoint a fifth as arbitrator, M. Avenol, Secretary General of the League, had to take action.

A hasty effort was made in advance of the Council meeting to bring about a united policy on the part of Great Britain, France and Italy, but this was impossible. The deliberations of the Council were marked by confusion and cross-purposes. France stood rather by Italy than Great Britain. Indeed, it is a question how far, at the time of the Franco-Italian rapprochement last Winter, M. Laval may not have pledged the support of the French Government in Ethiopia in return for Italian support of France against Germany.

There was some force in the Italian contention that the League might easily avert an Ethiopian war by taking just one step—by reopening the whole question of African mandates, and parceling them out more equitably. But that would involve a reconsideration of Germany's claims to colonial territory. It would be far too serious and dangerous a step to take at this moment, even if the great beneficiaries of the post-war settlement in Africa would consent to it.

In the end the Council took the only feasible and sensible course. At its meeting on Aug. 3 it voted two resolutions. The arbitration of the Walwal incident was to proceed and, if differences between the two nations were not settled, the Council was to meet again on Sept. 4 for a general examination of all aspects of the quarrel. It was understood that meanwhile the three powers—Britain, France and Italy—would attempt to reach an adjustment. They are bound by a treaty of 1906 to protect the independence of Ethiopia, but Italy has semi-officially announced that she holds this treaty obsolete and void. The smaller nations of the League naturally murmured at the feebleness of its policy. But the League is feeble, and if it attempted to play the part of a strong man it would quickly collapse. The question is not one, after all, that a large group of nations can settle in the public forum of Geneva. It can be settled, if at all, only by the back-stage conversations of a few leading statesmen (or so-called statesmen) of Europe.

It is inconceivable that any settlement can be arranged which will not take the form of a huge reward to Mussolini for his adventure. Every one will deplore the fact that international racketeering of this sort must be crowned by material gains. It is equally regrettable to think that Mussolini's impudent swagger and ineffable complacency, his powers for mischief and his inclination thereto, will be accentuated by the roars of applause he will receive in Italy.

Doubtless millions of people in the English-speaking world have lately indulged in one of those day-dreams which are the product of wishful thinking. They have had a vision of Great Britain, which now holds massed at Malta the most powerful Mediterranean fleet in her history, suddenly sealing the Suez Canal and bidding Mussolini to assume a humbler tone. Unhappily, such things are not done. It is not for Great Britain to make mortal enemies and throw Italy into the arms of Germany in that way. In one fashion or another the Italian dictator, the hero of Corfu, seems certain to have his way and his gains in territory.

But it is not well for other nations to be too self-righteous in their attitude toward Italy. The powers that have all the territory they want—Great Britain, France, the United States, the Soviet Union—find it easy to live on a higher moral level than the hungry powers like Japan, Germany and Italy. If the spoliation of

Germany at the close of the World War had been less complete and if the division of the spoils had been a little fairer, British and French critics would have more right to throw a stone in the direction of Rome. If our own sacrifices for world peace, our willingness to run risks, had been a little larger, we would have more right to join in the stone-throwing.

The present course of Italy, like the recent course of Germany, is one of the penalties the world is paying for the folly and greed of 1918-19. A little healthy realization of that fact might induce the British and French leaders, as they try to decide what bribe to offer Mussolini to call off the dogs of war, to make fairly large concessions at their own expense and not call upon Ethiopia to do all the surrendering. The two nations which hold respectively 13,227,000 and 5,657,000 square miles in colonial empires could perhaps yield a little without greatly missing it.

II—The Risks of the Game

By IGNATIUS PHAYRE*

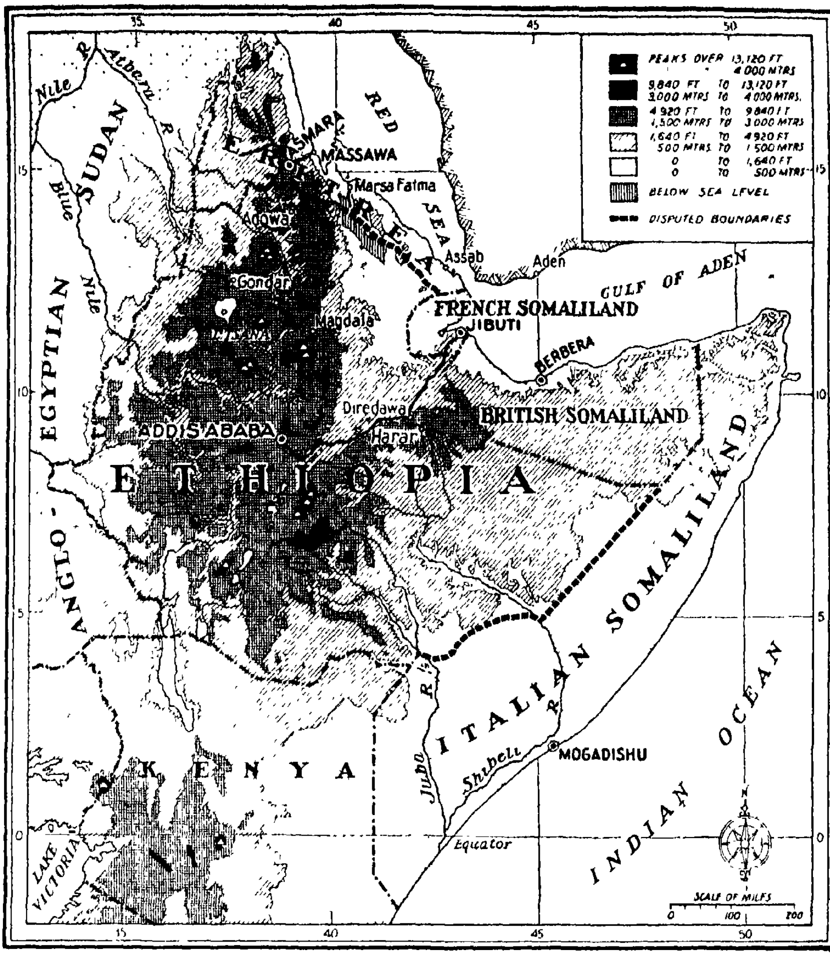
"THERE can be no turning back!" shouted Mussolini to his Black Shirts from the top of a gun-carriage at Eboli. The die is cast in the gamble for Ethiopia.

Past Italian defeats at the hands of the Ethiopians—at Dogali and Adowa in 1896—were due, so Mussolini insists, "to the enormous disparity of forces" engaged in those reckless battles. But in this present reckoning Italy will take no chances. Mussolini promises that modern weapons in overwhelming number will be brought to bear upon that extraordinary rock-fortress that is Ethiopia—that fortress which, as grim old Menelik told the powers in 1901, "has withstood all attacks as a Christian island in a sea of pagans for these 1,400 years."

What Mussolini has undertaken bristles with difficulties. To begin with, Massawa and Mogadishu, the ports in the Italian colonies of Eritrea and Somaliland, lie 1,500 miles apart, with lifeless and mainly trackless steppes between. Some effort has been made by General Aldo Pelegrini, the director of Italian civil aviation, to link the two by airline from Rome—a service to pass by Tripoli, Benghazi, Tobruk and Alexandria and thence by the Nile Valley to Khartoum, with a sharp bend eastward to Eritrea. But this project is still uncompleted. By water Massawa is 2,500 miles from the homeland, while the Indian Ocean port of Mogadishu is as far again.

Massawa was a primitive town of 12,500 people, sweltering in heat that has been known to reach 130 degrees in the shade, when the first transports landed the advance guard of Italy's expedition. Fresh water was extremely scarce, for no preparations had been made for such a military invasion, and soon tankers were sent to Port Sudan, 350 miles away in Egypt,

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"The Rock-Fortress That Is Ethiopia"

to buy water for the new arrivals. Wells were sunk in haste, but with poor success, for fresh water along Italy's Red Sea belt of 670 miles is usually brackish, nauseous stuff. As water grew more and more in desperate demand, a ration of only two pints a man per day for drinking and washing was allotted—with serious results in sickness and disability. No wonder 3,000 troopers and artisans were returned home in a fortnight!

Nowhere on earth is solar heat so fierce as on this Red Sea littoral. By day the strongest and bravest of Fascist recruits are apt to wilt and sicken. At night the soldiers and workmen sleep naked on straw mats in the narrow streets, while their fellows unload the troop ships and munition tramps by the light of acetylene flares until a blazing sunrise again stops all labor.

Massawa lacks the trees and flowers and fountains, with other amenities for relief, which the French—so long skilled in African development—have provided in Jibuti, further east on the

Gulf of Aden. Yet even in that "white city" and its hill suburb of Ambouli, Europeans never walk a yard; they use the little *gari,* a light carriage that takes business men right into their own warehouses and stores. In busy Jibuti, by the way—which is Ethiopia's only outlet to the world—not even Minister LaGarde's twenty-five years' toil has made life tolerable for long for the white race.

Apart from malaria and the furnace winds that tear the trees to rags, residents are prone to the peculiar *cafard,* a form of the blues. This lifts in two or three days, but while the spell lasts a victim is liable to reckless outbursts, much as the grief-stricken Malay runs amok with a violence all his own.

These Red Sea lands are no place for Caucasians. Over on the Arabian shore none dwell, and here on the African side of the narrow sea climate and landscape play queer tricks with the white exiles. They soon loathe the eternal sand and stones, the dusty mimosa-scrub under blinding light by day, the night skies that are forever starred, and the stark termite ant hills rising ten or fifteen feet out of the endless steppes that roll like dry sea-beds to the far horizons of Ethiopia's vague and lofty citadel.

It has been a tremendous task to house and care for hundreds of thousands of Italian soldiers and workmen in Eritrea, and still more so in Somaliland on the Indian Ocean. On that rock-bound coast you may search in vain for 1,200 miles in quest of any fair haven, even for a tramp steamer. Light Arab dhows of shallow draught and trading-zambouks and sarouks can put into any cove; but at Mogadishu Italy's new armada of invasion must needs roll out at sea, while slow lighters plod to and fro with all things from sectioned houses, field guns and barrels of petrol to barbed wire and roadmaking engines. Everything must be brought here from Europe's marts or from the workshops and arsenals at home, 5,000 miles beyond this dreary stretch of Africa, whose only human beings are the nomad "milk-and-meat" Somalis who follow the rains—and new grass—with their camels and cattle and goats. Thus Italy's only two ports are the poorest possible bases which an immense twin army could use for simultaneous advance.

Here also are pathless hinterlands as far apart as London and Athens; they yield next to nothing for the most ambitious military project of modern times. For this reason Mussolini has sent out almost as many workers as fighting men. Wooden cantonments have been run up to shelter whole divisions. The timbers for these had to be brought out, and also for the officers' quarters and those of doctors, nurses, mechanics of the air forces, roadmakers and tank brigades. Never has so great a traffic been known through the Suez Canal—that curious monopoly whose directors this year look for a 35 per cent dividend.

Upon Emilio de Bono, High Commissioner for Eritrea, falls the humdrum but vital business of food and labor, communications, hospitals and supplies of all sorts from overseas, including munitions of war. From Yugoslavia come timber, horses, beef, poultry, eggs and pigs. Sicily's lemons have been commandeered for this thirsty field of action. Up from Mombasa come shipments of bullocks to Mogadishu at the rate of over 1,000 a month. Kenya and Uganda with the Anglo-Egyptian Sudan and Egypt itself, as well as Europe and the United States, profit from General de Bono's endless requisitions. Every-

thing is needed, from dredgers, cranes and dock gear, to artesian well tubes, ice-making plants, surgical instruments and drugs. Mules are bought in Cyprus and the isles; asphalt in Suez, motor trucks in Port Said and Alexandria. Skilled labor—at high pay—has been sought in Cairo and even so far afield as the Dutch East Indies, in the hope of securing road hands and other helpers who are acclimated to outdoor work in torrid heat.

It is thus a fascinating drama that is scheduled to open when the deluge of the southwest monsoon ceases in late September. No time must be lost in those widely sundered ports where accommodation is so scanty and where wasting diseases—virulent malarial fevers, heat-stroke, dysentery and even cholera—can raise havoc among the most robust of troops and labor units just out from Europe.

While Commander-in-Chief Rodolfo Graziani urges his officers to gird themselves for a swift attack, so as to end the war almost as soon as it begins—at any rate in its first economic objective—disaffected lowland chiefs of the Somali and Danakil are to be bought over with cash and rifles, then linked up with Italy's triple advance. Speed—this veteran of the Senussi wars tells his waiting troops—is the very essence of a campaign across the lowland "moats" that lie between them and Ethiopia proper. This, as the General admits, is a military terrain to tax the genius of a Clausewitz or a Napoleon.

Graziani has fought primitive people before. For thirteen years he matched his wits against the ruthless fanatics of the Libyan sands and oases. He outwitted them all at last, paralyzing their mounted raids by the use of barbed wire entanglements which he laid by the hundred miles at a cost, for this stuff alone, of over 20,000,000 lire. That desert conquest earned for the tireless—and scholarly—Graziani the highest praise from Emilio de Bono, who was then his chief in the Colonial Ministry in Rome.

Graziani and de Bono are now united in joint control of the Ethiopian reckoning—the one as civil administrator, the other as strategist—in an assault upon an empire which nature herself, in the most freakish of her geological moods, seems to defend impregnably. A savage and broken uplift is this Ethiopia. From its high tableland snow peaks sweep up to 12,000 and even 15,000 feet—range after range, with profound ravines and gorges, with bridgeless torrents and vast savannahs, a wild region where guerrilla bands, armed with modern rifles, lurk.

Ethiopian soldiers, under the leadership of the ruling Amharas, are incredibly mobile. They do not march so much as run. No commissariat hampers these sinewy Shoans, Gallas and Tigreans, who have slaves to attend them. Their mules can follow where any man may get a foothold on the rocks. In Italy's last invasion from Eritrea, Menelik's hordes, 90,000 strong, had an uncanny way of appearing out of the blue, then vanishing again as quickly, to break up into pickets, or scatter at an order from bold Ras Makonnen. As Commander-in-Chief of Ethiopia's army, on that fateful day in the Abu Garima steeps above the little town of Adowa, south of Italy's colonial border, Ras Makonnen had surveyed every yard of the ground upon which he was to offer General Baratieri the pitched battle which so utterly humbled the flag of Savoy, and later on made Menelik II

the most courted monarch that has yet reigned in Africa.

Vastly different are the military factors of today, as a glance at General Graziani's *Instructions for Employing Large Units* will show. In this booklet, Italy's commander hastens to reassure subordinates of all ranks, pointing out to them that ultra-modern weapons—mechanical, ballistic, aerial and chemical—have made mass-offensives of the Ethiopians impossible. Graziani's campaign has been planned upon new maps, and every possible move has been calculated and provided for. So his own senior officers, the Commander-in-Chief is sure, can impose their will upon the enemy, and "infuse their own units with intuitive passion, and the capacity to grasp the scope and drift of any given battle."

Meanwhile, that grave and cultured little Semite, Haile Selassie, prepares for the storm in the strangest of all capitals. Never have so many white faces been seen in Addis Ababa, including war correspondents from London, Paris, Rome and New York. Long since the ramshackle Imperial Hotel has filled up, with "Carlton" prices for a bed in a choky bathroom, and horse-hire or "white" meals at the Hotel de France quoted at royal rates. Polyglot salesmen of arms and munitions besiege the Affa Negus (or "Voice of the King"); he is that stocky Amharan noble, Belatan Gayta Herouy, the Prime Minister.

Government offices on the hill are as busy as hives in summertime. The Belgian and Swedish officers who drill the "New Army" interview volunteers from many lands; some of these landed at Jibuti at their own expense. I saw smart Russians turned down, Irishmen accepted, American fliers put off "till we get delivery of aircraft we have on order." It is amazing how men flock from all parts to a war so weird and colorful as this one.

I spoke with adventurers who were penniless after paying a freight-car fare on the one and only train that winds and groans and sways up to Addis Ababa from the Red Sea coast. This is a costly five-day journey, while during the rains it may take a week for the 490 miles. It zigzags at first through savage desert, then around hills and up through thorny jungle, with the fussy French metre-gauge engine "resting" every night, as though worn out by the panting haul and its crowd of uproarious passengers—many of them clinging to the footboards and all but dragged off by overhanging trees.

Sprawling Addis seems more than ever confused, though with more method in its sheet-iron scurry and tumult than foreign observers imagine. The one industry today is arming for defense of the Empire. If in peace time the Emperor's office hours were from seven in the morning until ten at night, of late His Imperial Majesty and his Ministers outslave any of Ethiopia's 3,000,000 serfs. In particular, the War Secretary—Ras Mulugueta—never seems to sleep. Ethiopia's best strategist, Ras Kassa, leads the army encamped to the north of the Blue Nile, expecting attack from Eritrea, whence Italy's main advance is to be made.

What forces can the Emperor oppose to Graziani's two or three armies? Of modern troops, perhaps 60,000 officers and men, all well armed and knowing the lay of the land as they do their own rifles. Artillery is lacking—though at least three full batteries of French 75's are on hand. These, and an odd array of elephant-

guns, about 100 old pieces, a few mortars, aircraft and tanks, with some 400 machine guns and as many more automatic rifles, make up Ethiopia's heavier armament. It appears forlorn, but every week adds more to it as licenses abroad are put through and munitions from six or eight nations are dumped on the quays at Jibuti and loaded on the train.

Now what are the chances of Italian success? Mussolini himself is confident. "All Italy," he vowed at Eboli, "is behind her sons who are leaving for Africa. The entire resources of the nation are committed to this task, and the Duce declares they must prevail over a feudal slave-State which, with the best intentions of reform under the Emperor, Haile Selassie, can never within his lifetime, or that of the Crown Prince, be brought abreast of modern civilization. Mussolini contends that to lift Ethiopia out of the rut of a thousand years is a mandate that can be none but Italy's!

Yet there are some less confident. "Even with the best of luck, Graziani will have no walk-over," a veteran French colonel remarked to me one night in a hill café above Jibuti. "His main advance may be made from Massawa south toward Magdala, so as to bring on a general action. This he could combine with a flanking move from the south corner of Eritrea on the rear of any defending forces. For just there are roads fit for mechanized units. Such a double threat might be linked with a third advance from Somalia directed upon the walled city of Harar, which is the capital of the Emperor's own province.

"All hazards depend on whether Italy's objective is 'limited' or 'unlimited.' Does she mean first to secure a strategic-economic slice—for the Massawa-Mogadishu railway—or to conquer all Ethiopia in one continuous hammering? The first aim is difficult enough, as the Spaniards found to their bitter cost in the calamitous Battle of Anual in their own Moorish zone. There they lost an army of 20,000 men in 1921, together with all its artillery and stores, to that wily Arab chieftain Abd-el-Krim.

"But I can't believe the Italians hope to smother the empire in a single effort. The natural barriers are appalling, disasters only too likely in a tropical Switzerland ringed about by waterless deserts far below its craggy uplift. Why, in places the central plateau drops sheer for 4,000 feet!

"I don't know which of the two Italian armies would have the more dangerous job. The Simean highlands, that block the way from Eritrea, would tax the genius of any battle-planner."

"But what of Graziani's aircraft?" I put in. "One hears of 1,000 planes."

"We tried them in Morocco," was the brusque reply. "Aye—and tanks, too, with motorized 'heavies' and all the newest gear. We found these a positive disadvantage. Such tools are well enough in a civilized war, where you have a compact enemy before you, and targets like cities and towns, great arsenals and docks and factories all within handy radius. But what had we in those bare brown Berber hills, whether up there in the Riff, or down south in the Great Atlas ranges? Mark you, we of France thought we knew the game, whereas the Italians have everything to learn in a military terrain which is far more forbidding. So many climates and zones, so many warrior races armed and guided by the brainy Amharas—who are no more Negroes than were our own

clever Arab foes. Besides, we were much closer to our home bases; we're a far wealthier nation, too, and could stand the drain of money and men, year after year.

"In Morocco," this French expert went on, "elaborate weapons had no scope; we had nothing to bomb or bombard. The cost of conquest was enormous when we reckoned the gain in miles. Modern tactics only made targets of us for daring and skillful snipers who would not fight our way, but often bent us to their own elusive will! At last we learned from the enemy. Our bombing planes became ambulances. Or we used them as scouts, or droppers of munitions and stores into hard-pressed forts and blockhouses in the hills. It was only by employing 100 men or more against each scattered dozen of the Berbers that we were at length able to swamp their mobile defense.

"In my opinion," the French veteran concluded, "Ethiopia will prove a far tougher fight than was ours in Al Moghrab el Aksa. And we were many years on that job, despite our experience and varied efforts. I fancy Haile Selassie and his Rases can put 1,000,000 gunmen of all sorts into a very tangled field that is four times Great Britain's area. There you have Rodolfo Graziani's task, with his general headquarters 5,000 miles away at that black oak table in the Sala de Mappamondo of the Duce's lovely old palace in the Piazza de Venezia.

"There is not a soldier in all Europe or America who will not follow that bold fighter's progress with professional interest, as he walks the wire up to Addis Ababa—that is, if the imperial *guebeh* on the eucalyptus hill is to be his victorious goal."

"So Italy has first to face a modernized army," I remarked, "and after that the whole black empire in arms? But may not their resistance collapse in terror?"

"Anything can happen—and to either side. But the Ethiopians have already smashed one Italian invasion; rightly or wrongly, they feel they can do it again. At least 500,000 men are ready there, with hosts more in reserve, whether good or bad. Menelik's army in 1896 had queer tricks of its own, with ugly surprises in store for orthodox white troops. At the top came a Ras, or field marshal. Next to him was the Dedjazmatch, or Chief of the Gate; he ranked as a general. A Fitaurari, Leader of the Advance Guard, equaled our colonel. Next in rank was the Kognazmatch, or Chief of the Right Column; he was a sort of commandant. Lastly, they had his colleague, the Gheruazmatch, on the left, and the Balamberas, or Fortress Chief, who acted as lieutenant, or junior officer, in the thick of a bloody scrimmage.

"All of them, from the Emperor down, must share the shock; otherwise the rank and file may kill them as cowards where they stand. No brass hats in Ethiopia's war code, no soft staff jobs in the rear; but every man in the firing line where there's a chance of a decisive stroke—as against poor Baratieri long ago, outside Adowa. Otherwise, they scatter and lie in wait. Cunning fellows and dour fighters are these, with nature herself in league as their dreadful ally. None of us envy Rodolfo Graziani; all of us are looking at him! No doubt he'll strike hard or hold off, as events may fall."

"And the result? Do you see that out here?"

"I do not. Nor can any living man foresee it. Like the religion of Rabelais it remains 'a great perhaps'."

The Aga Khan: Moslem Pontiff

By Robert L. Baker

At a roadside shrine in Syria the French novelist, Maurice Barrès, found a group of Moslems worshiping a richly framed portrait. Upon examining it he exclaimed: "Why, I recognize him. It is none other than the Aga Khan of the Ritz!" Turning to the priest in charge he asked: "But are you sure that he is a god? I have often met him in Paris and at the races." The priest replied with the assurance of complete devotion: "Why shouldn't he go to Paris, if he wishes, and why shouldn't a god enjoy horse racing?"

The incident gives a hint of the many-sided character of the personage whom his followers formally address as Moulana Hazar Imam, Sarkar Saheb His Highness Sir Aga Sultan Mohammed Shah Aga Khan. East of Suez the Aga Khan is a divinity to several hundred thousand Khoja Mohammedans. He is the pope of millions of Ismailian Mohammedans and the spiritual leader of the great Shiah sect. And by virtue of his direct descent from the Prophet, abetted by inclination, he occasionally ventures to speak for the 250,000,000 souls who comprise Islam.

In Europe, where the Aga Khan spends eight months of the year, presumably for reasons of health, he is renowned for his affluence, his great success on the turf, his free spending and his beautiful French wife. He is a well-known figure at the fashionable spas, at the gambling casinos, at prizefights. In the early years of the century his susceptibility to a pretty face or figure was well known, but today, a man of 58, he enjoys with impeccable dignity the pleasues of European high society.

It would fall far short of the truth to describe the Aga Khan as inconsistent in assuming the rôle of a Moslem pope in India and enjoying himself as a pleasure-seeker in Europe. His activities have not been confined to religion, nor have they been limited to amusement. For more than a quarter century—until a few months ago—the Aga Khan was the political leader and spokesman of India's 80,000,000 Moslems, a responsibility that he took very seriously. He founded the Moslem League to develop among his co-religionists a sense of political community that would enable them to protect themselves against the overwhelming Hindu majority, but he also sought peaceful relations between the two great faiths. He took the initiative in urging social reforms not only for Moslems but for India generally. For more than twenty-five years he has been a tremendously important factor in Indian politics. A sincere friend of Great Britain, and a believer that without British rule India would lapse into civil war and chaos, he has been a pillar of support to the British Raj.

Europe, though knowing the Aga Khan best as a sportsman, has also seen him at work as a statesman. He was chairman of the British India delegation to the Round-Table Conferences in London in 1930-31, where he

showed great skill in devising compromises. He represented India at the Disarmament Conference in 1932 and headed the Indian delegation at the League of Nations Assembly in 1932 and 1934. In his book, *India in Transition,* which appeared in 1918, he set forth the arguments for a Federal Constitution, arguments that have influenced considerably Great Britain's post-war efforts to solve the problem of India's status.

The Aga Khan's early education was calculated to prepare him for his position as Imam of the Ismailian Mohammedans. He was drilled in the Koran and Moslem theology and schooled in the history, literature and philosophy of Persia and India. Later, under English tutors, he was taught the languages and civilization of the West. Unlike most princelings, the little Aga received corporal punishment when delinquent in his studies. Once an old family servant expostulated to his mother that the boy's health might suffer from the canings, but the Princess Ali Shah replied that little Mohammed would be better off dead than an ignoramus. When the tutors had finished their work the boy was sent to Eton, then to Cambridge, from which he was graduated and from which he has since received the honorary degree of Doctor of Laws.

Although he was only eight years old when his father, the first Aga Khan, died, he at once assumed his full responsibilities as Imam. While still a youth, he lectured on Ismailian theology to his followers. One incident of those early years shows that he had profited from his contact with the West. A smallpox epidemic was raging in Western India and the Aga Khan's followers, refusing to be vaccinated, were dying in great numbers. But the Aga Khan, then under 20, called his people together in Bombay, had himself inoculated before them, and instructed them to submit to the needle at a small hospital which he had established. He then journeyed about the stricken region and at each stopping-place assembled the Khojas, Ismailians and Shiahs and had himself revaccinated in their presence.

As a young man the Aga Khan traveled widely, often strictly in the line of duty—tedious visits to the scattered colonies of his followers in Zanzibar, Persia, along the Arabian coast or in the East Indies. More pleasurable were his travels in the Occident. He was a guest of the British Empire at the coronation of King Edward VII. He crossed the Atlantic and is said to have advised President Theodore Roosevelt in regard to the Moslem problem in the Philippines. In Berlin he won valuable concessions from the Kaiser in behalf of his sect in German East Africa, and, doubtless to keep him in good humor, he was given the Prussian Order of the Royal Crown, First Class. He also used his influence in London to improve the lot of Indians who had migrated to British possessions in Africa, a cause that was being fought in South Africa by a struggling young lawyer named Mohandas Karamchand Gandhi.

The most significant of those early visits was perhaps that to Constantinople, where the Aga Khan discussed the problems of Islam with the Caliph-Sultan, Abdul Hamid. This meeting between the forty-first Unrevealed Imam of the heretical Ismailians and the Ottoman Sultan was compared to a visit of the Archbishop of Canterbury to the Pope. That the Aga Khan should voluntarily take such a step was an indication of his tolerance and freedom from fanaticism. Lord Cromer, who saw little

hope for the Pan-Islamic movement, declared that the Aga Khan was the best equipped of all Moslem leaders to reconcile the seventy-odd sects of Islam.

Those sects have not, in fact, been reconciled by the Aga Khan or by any one else. There is no longer a Caliph, nor any universally recognized spokesman for all or even a quarter of the 250,000,000 Moslems. If, then, the Aga Khan is rightly called the greatest living Moslem statesman, it is because he alone among the leaders of the faith can see the problems of Islam in their proper perspective, without sectarian prejudice, and can make his voice heard. It is probably true that he represents a larger number of the followers of the Prophet than any other leader, but he certainly presumes when he speaks for all Moslems, a majority of whom must regard him as a heretic. At certain times, and for certain specific causes, the Aga Khan's voice has been truly that of Islam, as when he hailed Republican Turkey's victory in the Treaty of Lausanne. It was again the voice of Islam when, in 1924, he warned Turkey against setting up the puppet Caliphate of Abdul Medjid and against abolishing the office.

The Aga Khan speaks absolutely for the Ismailians, who believe that Ismail was the seventh and last revealed Imam, or infallible pontiff; the Aga Khan is the forty-first in descent by the direct male line from Ismail. His word is likewise supreme among the Khojas, a wealthy sub-sect of the Ismailians. As the forty-seventh in direct descent from Mohammed's daughter Fatima and Ali, through their second son Hussein, he is the natural but not always recognized head of the Shiahs, the lesser of the two greatest factions in Islam. Over those who recognize his authority as Imam the Aga Khan's power is wholly spiritual, but none the less effective. He may excommunicate, a very serious punishment in India, because it deprives the culprit of all community rights and even of religious burial. And for certain offenses he may curse for several generations, a fate regarded by the Ismailian as worse than death itself.

Among the more fanatical Khojas the Aga Khan is revered as a god, and they make their haj, or pilgrimage, not to Mecca but to Aga Hall in Bombay. Some years ago a group of Khoja intellectuals urged him to deny that he possessed divinity, but he did nothing to disturb the belief. The Ismailians have often been accused of justifying immoral practices, though the charge has never been proved. It can be said, however, that they are among the most tolerant of Moslem sects, and this fact, together with the strict discipline which is maintained by the Aga Khan's hierarchy, go far to explain their lack of concern over their Imam's luxurious habits when abroad. Nothing he might do, short of apostasy, can really hurt his position. And whatever he does, there still flows in his veins the blood of Ismail and of the Prophet.

On two occasions the Aga Khan has taken pains to soothe the feelings of his followers, and both have been connected with his matrimonial ventures. Two of his three wives—his Begums—have been European. His first foreign wife, an Italian girl, became a Moslem before the wedding. Aly Khan, his heir, was born of this union. His present Begum, née Andrée Carron, refused to renounce her Roman Catholic faith, but the Aga Khan was not daunted. He explained to his followers that the Koran permits mar-

riage to infidel women provided they are Scripturaries, that is, Jews and Christians who are believers in "the Book." He was also careful to have a marriage performed according to Moslem rites by two high Imams, in addition to the French civil ceremony. More explanation was necessary when this French Catholic Begum presented him with a son. The Aga Khan largely forestalled criticism by giving a great banquet in Bombay at which 15,000 of his followers were assured that everything was strictly according to the Koran.

Even when in Europe the Aga Khan is said to be meticulous in the performance of his religious duties. A learned Imam dwells under his roof to advise him and to read and comment on passages from the Koran. Prayers are invariably said at the appointed hours, and whether in Europe or in India he is always accessible at a definite hour each day to even the humblest of his followers.

Popular writers have accused the Aga Khan of bleeding his people in order to finance his horse-racing, jewel-buying and so forth, but complaints from the alleged victims have been rare. The Ismalians are obliged to contribute 2 per cent of their incomes every year through the Aga Khan's agents, while the Khojas must surrender 10 per cent. In addition to these regular dues, special levies are occasionally made, indulgences are sold and countless gifts are received. The total amount is enormous, of course, but while nominally for the Aga Khan, he takes only a fraction of it. After the heavy overhead of the sect is provided for, most of the remainder is allowed to accumulate in the treasury in Bombay against such emergencies as famine, plague, flood and earthquake, when the Aga Khan must provide immediate and effective relief.

Estimates of his income range from $600,000 a year to more than $10,000,000. As he does not broadcast the state of his finances one guess is about as good as another. He is certainly very rich. He inherited a large fortune from his father and has invested his funds so shrewdly that his income from business ventures is probably many times that from his sect. But a part of his income as Imam is of special interest. At the end of each solar year a delegation of Ismailian elders comes to him, wherever he may be, equipped with a formidable set of scales and a large amount of gold bullion. His weight, now a matter of 220 pounds, is exactly balanced with gold, which he receives for his personal use. The elders thank him for his services and in return for their gift of about $92,000 respectfully ask for several barrels of the Imam's bath-water, which is supposed to possess miraculous therapeutic qualities. At $5 a vial it brings awed delight to Ismalians from Cape Town to Samarkand, from Beirut to Mindanao.

The Aga Khan makes little if anything from the turf, though he has had two Derby winners, Blenheim in 1930 and Bahram, Blenheim's son, in 1935, and has several times led the English and French turf in winnings. His stable, now valued at $5,000,000, is probably the finest in the world, but costs a great deal to maintain even though the Aga Khan does not let sentiment interfere in its management. When one of the best horsemen in India asked if he might ride a famous winner, the Aga Khan replied: "Riding thoroughbred racehorses is a business —the business of a jockey."

Perhaps most of the Aga's wealth is in jewels, a passion for which he

shares with other Indian princes. His collection, it is said, is surpassed in value only by that of the Nizam of Hyderabad. Major Fitzpatrick, an English expert, is reported to have appraised the Aga Khan's rubies, his favorite gems, at $250,000,000.

One would not suspect from the Aga Khan's appearance that he has been a lifelong devotee of physical exercise. If strenuous recreation has not restrained his embonpoint, it is because its effects have been negatived by rich food and half-hearted dieting. Boxing, football, running, golf and tennis have been among his favorite sports. Somewhat grudgingly he approves of walking as exercise, provided it is for an hour or more, and is at a good pace, "say between four and five miles an hour."

This enthusiasm for recreation is not without reason. "People in India," he says, "Indians as well as Europeans, are apt to become effete and played out. The only way to counteract this is by stimulating a healthy interest in sport. As my example affects many thousands of people, I consider it to be my duty to encourage sport by example and precept. You may have a healthy mind, but it will not last long without healthy recreation. I firmly believe that the encouragement of sport is a patriotic duty as far as India is concerned." Sport, he believes, can do much to lower the toll taken in India by diabetes, the disease that has carried off many brilliant Indians in their prime.

The Aga Khan's encouragement of sport has not been confined to example and precept, for he has given recreation centres and playing fields to many Ismailian communities. More than thirty years ago he fostered an interest in field hockey in India by offering trophies, and it is now the most popular game in the country. At the last Olympic Games the Indian team overwhelmed all opponents by one-sided scores. He has also promoted an interest in civil aviation by giving large money prizes to the first Indians to make solo flights from England to India and from India to Cape Town.

Some years ago the Aga Khan, becoming concerned over India's lack of wholesome amusement, sponsored a native motion-picture industry that would produce films better suited to India's needs than the Hollywood and Elstree products. Since then the industry has grown so rapidly that India should soon be self-sufficing.

Concern for the welfare of India, and for that of his co-religionists, has led the Aga Khan into strange paths for one of his inheritance. In no other religion does tradition play a greater part than in Mohammedanism; its leaders have usually fought reforms with all their might. Yet the Aga Khan, whose pontifical security would seem to lie in the ignorance and unquestioning faith of his followers, has all his life been a reformer. And it is notable that his efforts have been directed not at minor but at fundamental changes.

His personality, ability and broadmindedness made such an impression upon Moslem leaders of all sects that at 25 he was chosen to preside over the All-Moslem Educational Conference. In a very serious address for so young a man he examined the causes of the moral and intellectual degradation of Islam. Too much time and energy, he declared, were spent in meaningless prayers and in pilgrimages. It was necessary to break through "the ancient barriers of prejudice, lethargy and false Moslem ideals."

The young Aga showed no little courage in attacking some of the traditional practices of Indian Moslems,

such as the celebration of "martyrdoms long since past, which but help to keep alive those terrible sectarian differences which are one of the misfortunes of Islam." He condemned the segregation of women and denied that there was anything in the Koran or in the first two centuries of Islam to justify it. Education alone, asserted the Aga Khan, could overcome these evils, and complaining of the lack of schools at which Moslem boys and girls could be taught modern science as well as their faith, he pointed to education as the only way to correct the disproportion in material prosperity between Hindus and Moslems.

The Aga Khan has worked ever since for better educational facilities, for Indians generally as well as for his own people. Education and social reform were his constant aim when he served on the Viceroy's Council, and he was responsible for many improvements. He took great pride in the Moslem college of Aligarh, which was raised to the status of a university through his efforts. He conceived of it as a Moslem Oxford, to which all Moslem countries could send their best students. In addition to its function of providing a modern scientific education, he believed that its scholars should make the best of Moslem learning available to the West. Though his own gifts to Aligarh were heavy, he is said to have hounded the Moslem princes continually for donations.

But the Aga Khan's reforming zeal has not been confined to India. Speaking over the radio in 1931 on the subject, "What I Would Do If I Were World Dictator," he found the Occident far from perfect. As dictator he would make everybody take part in some sport, and there would be world-wide compulsory education for both sexes up to the age of 18 or 20. Western students would be obliged to learn at least one Eastern language and Eastern students at least one Western tongue.

Turning to politics, he declared that conditions in Europe were worse than they were at the beginning of the century. Given the power of dictator, he would abolish artificial frontiers and redivide the world on the basis of common language and culture. The British Foreign Office must have been pained when the distinguished Aga Khan announced that he would unite Germany and Austria and restore to Hungary the Hungarian-speaking districts which the Treaty of Trianon gave to her neighbors. He would, moreover, do away with the present national armies and navies and create in their place an international police force to back up the decisions of a World Parliament, which he would substitute for the "present unsatisfactory League of Nations." His critical views of the League were stated to its face last year when he told the Assembly that the League "had been too Occidental, too representative of one race and creed."

That the Aga Khan bows to no civilian listed in the British *Who's Who* in the number of his honors and decorations indicates his usefulness to Great Britain in Indian and Moslem affairs. Besides helping to curb Moslem fanaticism in India for nearly four decades, his support has been most valuable in time of crisis. As far back as 1910 he quieted the excitement of Moslem India during Turkey's disastrous wars with Italy and subsequently with her Balkan neighbors. At the outbreak of the World War the Aga Khan was visiting his followers in Zanzibar. Immediately he cabled Ismailian leaders throughout the Mid-

dle East to support the British. Later, when Turkey entered the war on the side of the Central Powers, he did a great deal to counteract the Sultan's Holy War by addressing a manifesto to the Moslem world assuring it of the good intentions of Great Britain and her allies toward Islam. All through the war he pressed Indian Moslems to give unstinted loyalty to the Allied cause. After the Armistice, his services were rewarded with a salute of eleven guns, the only Indian not a temporal prince to be so honored.

With the end of the war the Aga Khan became more critical of British rule, and called for "a radical change of policy, a new angle of vision, a final break with government deriving authority wholly from without, and the commencement from the lowest to the highest stage of full cooperation with the people." At home he urged more rapid political reform. Abroad he opposed Britain's pro-Greek and anti-Turkish policy. And wherever he found Moslem interests threatened by British policy he expostulated and warned. Yet he could not throw off his long association with the British and their ideas. When the next real crisis arose he backed the British. He withdrew the Moslems from Gandhi's campaign of "passive resistance," and stood out for constitutional reform by peaceful means, a typically English "gradualist" policy. Thus he broke up a formidable Hindu-Moslem front.

The Aga Khan is not an aggressive leader; rather is he one who weighs carefully the future consequences of political measures. Because of his long experience with diverse faiths and points of view he realizes that the solutions of great problems affecting hundreds of millions of human beings are never simple. Thus he appears at times to lack decisiveness. So, too, whenever Britain has made concessions to India—in 1908, in 1919, in 1935—the Aga Khan has advised the Moslems to accept and demonstrate that they were prepared for still greater measures of responsibility. Though far from pleased with the latest of British Constitutions for India, he calls it "better than the present one. Hence I am going to advise my people to accept it, work it and make a success of it."

But Moslem India, which he struggled so long to make politically self-conscious, has gone ahead of him and has become intoxicated with Swaraj doctrines. Because of his moderation and pro-British record the extremists have undermined his position and he is no longer the political leader of all Indian Moslems.

The Aga Khan lives so many lives that his political eclipse in India, for it is probably no more than an eclipse, seems to have disturbed him not at all. Returning to England he has watched his green and chocolate colors dominate the racing season. He has heard his toast proposed by the King at the Derby banquet of the exclusive Jockey Club, of which he is the first Oriental member.

How describe the Aga Khan? Demigod, pontiff, statesman, diplomat, orator, social reformer, Croesus, linguist, sportsman, bon vivant and erstwhile playboy. Tonight he is a divinity dressed in evening clothes and top hat; tomorrow morning a fat pope punching the bag! Englishmen have given him the rarest title they confer on Orientals—that of gentleman. Bridging East and West as no one else has done, the Aga Khan is the most cosmopolitan and colorful personage of our time.

What Is International Justice?

By Robert McElroy*

Talleyrand once asked the Duke of Wellington whether he knew of a country where a weary old Frenchman could find a place to spend his remaining days in peace. "By God, Prince, I don't," was the definite reply. Today the descendants of those who fought with Wellington, or schemed with Talleyrand, are asking that same question, only to receive the same answer.

The searcher after peace, justice and security may cross the seas, scale the mountains and traverse the dusty plains, but always he will find what he has left behind—confusion, triumphant injustice and greed and fear, which are stronger than the love of peace. Men do not fight because they prefer conflict to peace, but because they want something more than they want peace, or fear something more than they fear war. Therefore the road to peace lies not in the signing of agreements to abstain from conflict, but in the discovery of better methods of securing the things for which men would otherwise fight.

When we study the declarations of present-day leaders of nations, the few who think for the many, we find clearly set forth a list of things for which their respective nations are willing to fight, most of them reasonable when properly understood. Stanley Baldwin announced in Parliament on Nov. 1, 1934: "Not in any circumstances" would the British "accept a position which placed this country in an inferiority with regard to any air force which Germany might raise in the future." Japan not long ago declared that the 5-5-3 naval ratio, agreed upon at the Washington conference, is "no longer consistent with national dignity." "A Germany within the framework of the European nations," said General Goering recently, "can only be a Germany equal in rights, equal in strength and peacefully constructive." And Hitler, the sole "representative" of the German nation, declared, on May 17, 1933: "Lack of possibilities of existence always has been, and always will be, the source of conflicts between peoples. * * * It is not wise to rob peoples of economic possibilities of existence, without taking into account that the human being is dependent upon them * * * and exists as a factor demanding the right to live." His meaning is clear: If you want international peace, you must allow to every nation conditions that will make peace safe for the peaceful; otherwise, they will cease to be peaceful.

Upon that principle Japan has announced her secession from the League of Nations, preferring the security attained by the illegal annexation of Manchuria to the security offered by membership. On the other hand, Italy, which is Mussolini, seems content to remain in the League of Nations while boldly defying the very conditions of membership. The one resembles the followers of Jefferson Davis, who held

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that the South was under obligation to obey Federal laws while remaining in the Union, but had a right to secede — and then deny them; the other acts upon the Calhoun theory and remains in the League, while nullifying its laws.

In all these cases the leaders insist that what they demand falls within the meaning of international justice. But vague terms are dangerous, and the term international justice is among the vaguest. Some twenty years ago an American patriotic society, seeking to define it, sent to the ten American leaders, then generally acknowledged to be the most eminent in the nation, this question: "Will you give us, in twenty-five words, and for publication, your definition of international justice?" From each came a prompt assent; but later from each came the confession: "I cannot define international justice."

Men trained from childhood to think of justice in terms purely personal or national cannot suddenly widen their viewpoint and think of it in terms of all the world. But until they learn so to think it is vain to seek a formula that will reduce war to a minimum and raise peace to a maximum.

Jefferson declared that all men are created equal; but international law had already declared that all sovereign nations are created equal. From the Peace of Westphalia to the writing of the Covenant of the League of Nations that was the theory upon which nation was expected to deal with nation. Jefferson further said that man had certain "unalienable rights," among which he specified the right "to life, liberty and the pursuit of happiness." For the protection of these rights, he said, "governments were instituted among men." Does international justice mean that there are similar rights of nations? If so, what government has been instituted among nations to protect them?

The League of Nations was designed for that purpose, if we accept literally Wilson's declaration in plenary session upon the drafting of the Covenant: "Armed force is the background in this program, but it is in the background, and if the moral force of the world will not suffice, the physical force of the world shall." But recent events have proved that the moral force of the world has not sufficed to give international justice. All nations agree that this has been denied to China. Germany, too, insists that it has been denied to her. And Italy sees her right to "life, liberty and the pursuit of happiness" threatened by those nations who believe that these are due to Ethiopia as well.

If the League of Nations is to be but a group of the agents of hungry nations seeking each its own ends, it will lighten the world's burdens not one featherweight. If the world is to be saved by union, it will be by a union that thinks in terms of international justice—or equity—not in terms of national gains. If the League cannot rise to this height it will stand as another failure on the pathway of history. If it is to rise to power and influence it must be through leaders who accept Leibnitz's motto: "So act that you can honestly wish the motive of your actions to become universal."

Whether we view matters from the point of view of nations, legalistically denied these "unalienable rights," or from that of the individual to whom the laws have failed to confirm them, we should consider Lowell's warning: "It is only when the reasonable and practicable are denied that men demand the unreasonable and the impracticable." It was Blackstone, not Lenin, who wrote: "The law not only regards life, and protects every man in

the enjoyment of it, but also furnishes him with everything necessary for its support. For there is no man so indigent or wretched but that he may demand a supply sufficient for all the necessities of life from the more opulent part of the community." Obviously Blackstone was not giving his weighty sanction to the highwayman. He was only seeking to emphasize the fact that a nation whose laws have failed to establish conditions under which a man of average ability, energy and thrift may earn a decent living has not apprehended the real purpose of law.

But no one can doubt as he studies the present world that the laws have not accomplished this, either with respect to individuals or nations. Hence, this new revolt in the desert, in which man defies laws in the name of justice; and nations scrap treaties and repudiate debts in the same name. If we do not keep open in either case an appeal from law to justice, justice will appeal to force; and what justice can do, injustice can imitate. When justice fails, by the failure of law to accomplish its primary purpose, peace stands endangered.

Aristotle once declared: "Men do not make laws; they only discover them." And wise men long ago discovered that laws, to be effective, must carry justice with them. When the fathers of the American Revolution, many of whom held high office in the British Government, found that they could not make their case by pleading the protection of English law and the British Constitution, they wisely adopted the advice which Aristotle had given to a young Greek advocate: "If you cannot make your case by pleading the laws of the land, appeal to the law of nature." In the end, however, they had to appeal to force, defying the laws of their country for their country's good. And today the best English writers trace from this step the beginnings of that wonderful transformation of a British Empire held together by force into the British Commonwealth of Nations held together by common ideals and interests.

In the face of such historical examples—and they are many—it is vain to argue, as some do, that war never pays. One has but to scan the map of Europe today to find nations whose very existence is the result of "the war to end war." And it is equally futile to try to convince Japan, rejoicing in her war-won Manchuria, that war never pays; or to convince Italy that a war to win Ethiopia offers no adequate rewards. Germany, to a man, believes that the peace of Versailles gave not "peace without victory," but a truce without justice, and stands ready to face another war, if need be, rather than accept its settlements as final.

Pascal wrote: "We must * * * put together justice and force; and therefore so dispose things that whatever is just is mighty, and whatever is mighty is just"—a very different doctrine from the medieval conception that God gives the biggest muscles to the justest cause. God, as even a casual survey of history will show, has made no such convenient arrangement. No, Pascal was right, "*We* must put justice and force together," and the union once made will establish international justice and define it.

The great obstacle to this beneficent union, promising such noble offspring, seems to be the universal adoration of the doctrine of the absolute sovereignty of the nation, a doctrine injected into modern political theory by no less a philosopher than Machiavelli. We scorn the philosopher —often without troubling to read him

—but we enthrone his theory which makes the sovereign nation "a moral universe in itself, which can be subject to no transcendent moral law in its physical collisions with other representatives of its own species." Accepting that subtle poison, in the name of patriotism, the sovereign nations have consented to the belief that a nation, as sovereign, can accept no limitations save its own will.

Peace with justice is the only lasting peace; but when each nation feels, and is, free to deny justice in its dealings with other nations, there can be no lasting peace. In the moment of crisis, justice is denied with impunity; and at that moment another war is born. The world's future peace lies in the emergence of leaders wise enough to acknowledge a limit to the sovereignty of the nation and, for the sake of international justice, to refuse to cherish policies which mean poverty, starvation and, ultimately, desperate revolt, for those nations least strategically placed.

Elihu Root, the American statesman of the greatest proved wisdom, once declared: "The indispensable prerequisite of lasting peace is the creation of the international mind." At the present rate of progress (now in the wrong direction) how long will it take to create such a mind, one big enough to think in terms of even-handed justice to every nation and to every race?

At the opening of the American Revolution Patrick Henry said: "Henceforward there should be known among us no New England man, no Southerner, but all of us Americans." Since then America has measurably succeeded in making an American mind out of a myriad of races and devotees of localism; and Great Britain by a similar process has raised a world commonwealth to the semblance of an English mind. These successes should encourage us to hope that an international mind, with international justice as its aim, can be created if we work for it diligently, and with enlightened self-interest. President Franklin D. Roosevelt was at his best when he wrote: "It is of little value to any of you to be temporarily prosperous while others are permanently depressed." But domestic problems and the venturesome experiments of the New Deal have apparently hidden this flash of insight into the meaning of international justice.

The American Constitution has more virtues than some of our leaders are willing to allow; but in one respect its scope is not broad enough for the new era which is already upon us, and to stay. It defines its aim thus: "To establish justice, insure domestic tranquillity, provide for the common defense, promote the general welfare" —all broad and noble principles, fit to become universal. But the words which follow—to "secure the blessings of liberty to ourselves and our posterity"—are too narrow, too provincial, too nationalistic for our world-wide problems. In the greatest period of our national greatness when, for a brief space, we stood as the acknowledged moral leader of the nations, we broadened that last objective, interpreting it to mean "to secure the blessings of liberty" to ourselves and all mankind.

It might aid our return to the trail that was lost if once more the outstanding leaders of this perplexed nation were asked to write, in twenty-five words, and for publication, their conception of the meaning of international justice.

Russia Moves Toward Democracy

By LOUIS FISCHER*

PART of the excitement of living in the Soviet Union arises from the fluidity of its social and political forms, for, as an article in the official Communist *Pravda* declared a few months ago, no Soviet institution is permanent. There is, indeed, always something new under the Bolshevik sun. Even the essential characteristics of bolshevism are not unalterable. The Soviet régime, for instance, is an avowed class dictatorship which practices intimidation and terror. The Communist party is the supreme ruling body and directs the government. Yet there is already discernible a tendency toward the disappearance of these features of the Soviet system.

People frequently ask, "Do not dictatorships try to perpetuate themselves?" Some undoubtedly do. But the Bolshevik dictatorship is slowly, almost imperceptibly abdicating. When the change to democracy is completed the world will wonder how it happened. The Bolshevik dictatorship still exercises all the prerogatives of such a régime. It is often cruel, ruthless and anti-democratic. Soviet citizens feel its effects every day, and outside observers watch its operations. Its manifestations are infinitely more numerous than the signs of an emerging democracy. And yet in the full bloom of its youth this dictatorship is making ready for its own demise.

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The process should not be mistaken for the finished product, nor must the time element be overlooked. But the all-pervading logic of Soviet politics is a guarantee that the movement toward democracy has not been inaugurated in vain. The first Five-Year Plan, that of 1929-32, imposed all sorts of privations on the whole people. The Bolsheviks said: "We are laying the foundation of an industrialized, richer Russia. The foundation costs many billions. We must pay for it by accepting fewer comforts and lower standards. But soon the superstructure will rise. Soon this investment will earn dividends." Many citizens understood. Others, as well as most foreigners, scoffed. Reporters concentrated attention on the hardships and lost sight of the goal. Today, however, even arch-skeptics agree that the Bolsheviks have fulfilled their promise and that the second Five-Year Plan has brought a marked improvement of living conditions.

The proletarian dictatorship, the foundations of which are now being undermined, conceives of the workers as the only class with direct influence upon the formation of policy, as the class which occupies a privileged position and enjoys advantages over the peasantry and many more rights than the disfranchised bourgeois remnant. The determining feature of Russia's dictatorship, then, is exclusiveness. There is discrimination in favor of some groups and against others. The workers are at the apex of the social pyramid.

The actual responsibility of ruling the country, however, rests upon the most zealous, the most devoted and most convinced members of the working class and upon intellectuals who function in its name. Together they constitute the Communist party. The party is the "vanguard," the "shock troops," the spearhead, brain and directing arm of the proletariat. All important Soviet commissars are party members. Communists are assigned to the most trying tasks. They stand in the front rank of the battle. Everything revolves around the party, and Joseph Stalin, who holds no high government position, wields power by reason of his leadership of the party. Today Soviet politics is inconceivable without the Communist party.

But the doors of the party are never wide open; sometimes they are completely closed, and at all times admission is obtained only after a difficult probationary period. Those who achieve a prescribed standard of political reliability, self-discipline and education alone can hope to be enrolled. Members submit to regular purges and examinations, and are frequently expelled for delinquency, laxity of discipline or insufficient political activity. Thus the basis of party membership also is exclusiveness. Just as not all citizens but only workers are regarded as the ruling class, so only the few are permitted to join the party that dominates the life of the country. Accordingly, if the non-proletarian classes were placed on a par with the proletariat and if Communists ceased to be distinguished from non-Communists, the basic conception of the Bolshevik dictatorship would crumble. Exactly this is happening.

The special position of the Soviet proletariat is becoming a thing of the past. Formerly the workers constituted the only real popular support of the régime. The intellectuals and the peasantry were politically, for the most part, either indifferent or hostile. The intelligentsia paid for its antagonism to bolshevism with bitter persecutions, some warranted and others unfair, which reached their climax in 1930 and 1931, when thousands of engineers and professional men were arrested on charges of subversive activity. But, as often occurs in Soviet history, the high point of one development is immediately succeeded by another equally momentous. After Stalin's "Six-Point" speech of June 23, 1931, hailed as the "Magna Carta of the intelligentsia," the Soviets began to court the intellectuals and to shower all manner of material blessings upon them. The engineers were "raised to the level of workers," and professional salaries moved sharply upward. In respect of real rights and benefits, accordingly, the handicap in favor of the proletariat commenced to become smaller as early as 1931.

Meanwhile, the "liquidation," or elimination, of the urban and rural bourgeoisie proceeded with accustomed thoroughness and cruelty. Even before the first Five-Year Plan city capitalism in the Soviet Union was practically dead. But the private capitalist peasant remained. As the worker was the favorite child, so the peasant was the stepchild of the revolution.

Although the peasantry helped to make the revolution of November, 1917, and the land was nationalized, agriculture continued under the domination of individual cultivators who owned their own livestock and implements and were therefore capitalists. And capitalists, naturally, could have no active rôle in Soviet politics. With the launching of the first Five-Year Plan in 1929 came agrarian collec-

tivization. Under this new system of socialized farming the peasants transferred their private capital to the collectives, tilled their land in common and divided the produce according to the quality and quantity of each individual's labor.

Before long, however, the Bolsheviks found it necessary to grant the peasants political rights corresponding to the economic reorganization of the village. This was done at the last All-Union Soviet Congress, in February, 1935.

Prime Minister Molotov told the congress that the time had come to amend the Constitution, under which the vote of one worker was equal to the votes of five peasants. Molotov proposed to wipe out this inequality. Simultaneously the congress resolved that secret voting was to supersede voting by show of hands. The undemocratic scheme of indirect voting was also to be abolished. Hitherto the individual citizens in town and country voted only for their local soviets, which elected the county soviets; the county soviets in turn elected the regional soviets, which elected the soviets of the federated republics, from which, finally, the All-Union Soviet Congress was chosen. The citizen was thus many steps removed from his national representatives. This system assured the predominance of Communist and pro-Communist elements in all important bodies. It would have been unsafe to give the peasantry direct, equal and secret suffrage, for they greatly outnumbered the workers, and Moscow did not wish to be overwhelmed by a hostile farm vote.

But all that is different now. The peasant is no longer a capitalist; collectivization has exposed him to Bolshevik propaganda; he is receiving some tangible benefits from the Soviet régime; he is no longer violently anti-Socialist. He can accordingly be granted equal civil status, and the Soviet chiefs hope that the more the peasants are trusted the more loyal they will become—a matter of vital importance in case of war. Stalin has declared that the new democratic system will put Communist officials and provincial leaders on trial. If their followers fail to re-elect them, he says, Moscow will know that something is wrong.

But elections can be manipulated. Intimidation at the polls was not invented by Nazi Germany, and the forms of bribery and pressure are legion. Molotov hailed his constitutional amendments as the democratization of Soviet politics, and contrasted this development with the anti-democratic trend in many bourgeois countries. In themselves, however, these paper reforms might mean much or little. Everything depended on the intention and the execution.

These doubts were immediately dispelled by a further and even more significant move toward democracy. The collective farms had been directed either by officials appointed by Moscow or by a small handful of Communists in each village. In March, 1935, the government drafted new statutes for the thousands of collectives in the Soviet Union, constituting the general assembly of each village, with a majority quorum, which was the supreme authority, with the right to recall and overrule oficials but not to be overruled by them. This reduction of the prerogatives of a superimposed bureaucracy was an unprecedented and most radical change in that it subordinated Communists to the will of the people. The statutes of March, 1935, supplemented and lent reality to the constitutional reforms of the previous month.

This combination of economic democracy and equal suffrage may conceivably give the peasants more democracy than can be enjoyed by the workers, who of course do not directly rule the factories or elect their own managers. Materially, the intellectual and professional classes are in a much better position than the proletariat. The workingmen, to be sure, are still the special wards of the State. They receive free health insurance, old-age pensions and cheap life insurance, obtain easy access to free or inexpensive sanatoria and rest homes, and have in the past been at or near the top of all waiting lists for apartments, admission to higher schools and low-priced purchases of commodities. But the gradual improvement of living conditions makes such benefits available to a greater number and robs the workers' privileges of much of their meaning. The intellectuals, moreover, are competing with the proletariat for accommodations in health resorts and apartment houses and other advantages. Finally, such institutions as old-age pensions and health insurance are certain to spread soon to the Soviet village.

Marx and Engels ordained as one of the essential goals of communism the elimination of the sharp differences between manual and mental labor and between town and country. Collectivization, mechanization of agriculture and the recent enhancement of the peasants' political power actually lay the foundations of a bridge over the chasm that still separates the Soviet city from the rural collectives. This is one of the most dramatic results of the Bolshevik revolution. It establishes a closer bond between proletariat and peasantry, and should ultimately transform the relationship of the Communist party to the village from forceful domination to voluntary cooperation and fair exchange.

While Russia's bourgeoisie and kulaks still existed, and while the three classes — workers, intellectuals and peasants—lived on different planes, it was impossible to speak honestly of a Soviet nation. Communists hold that the nationalism that merely strives to conceal class distinctions and to mislead the exploited into believing that they are equal members of society is worthy only of the bourgeoisie. The Bolsheviks submit that they would never stoop to this subterfuge. As long as the interclass war in the Soviet Union was bitter and sharp, they proclaimed the fact from the housetops. But now that the anti-Soviet exploiting classes have disappeared and the inequalities between the three remaining classes are being eradicated, there is room for the concept of a nation.

When the Communist organ *Pravda* first used the word "fatherland" and spoke of patriotism in a memorable editorial on June 9, 1934, many Bolsheviks were amazed. Was this a reactionary sentiment? Was it an infection carried into Soviet territory from aggressively nationalistic Nazi Germany? Actually it was nothing more than an expression of the tendency away from dictatorship which many still refuse to see. "Fatherland" fits perfectly into the scheme of a steady march toward a democracy. "The country of the Bolshevik revolution," the writer of the editorial in *Pravda* declared, "is endlessly precious to the workers, the collectivized peasants and to our Soviet intelligentsia." The article then referred to "the 170,000,000 members of this toiling nation to whom the Soviet land is a mother."

That figure includes every inhabitant of the Soviet Union. No one is excluded. The régime belongs to

everybody, and everybody belongs to the régime. The exclusiveness inherent in dictatorship yields to the all-inclusiveness of genuine democracy. Bolshevik statements remind all citizens of their achievements, their high qualities, their bright future and their privileges. The nation is regularly urged to regard itself as an entity, to defend its country and régime, to assert its rights. The peasants and intellectuals have been granted broad new rights, the same as those of the workers.

Nevertheless, these decisive advances on the road to democracy would lose much of their meaning if the Communist party retained its former predominant status. What significance would attach to the greater leveling of classes if, instead of them, one limited party exercised unlimited power as before? Here, too, vast changes are in preparation.

The Soviet Communist organization is not what it used to be. Its composition and its functions are different. The party that under Lenin led the revolution in 1917 numbered only a few thousand. They were picked Bolsheviks steeled in the furnace of Czarist persecution and underground political activity. Today that same organization boasts 2,500,000 members. Despite all attempts to cleanse and purge it, careerists, opportunists and scoundels remain in its ranks. Its majority is undoubtedly passionate in its devotion to communism, but there are on its rolls many less fit for the honored title of "party man" than thousands barred by reason of their social origin, outlook or past political sins.

Daily, official party organs print scores of accounts of stupidity, misdeeds and even crimes. Although this publicity throws the seamy side of party life into undue prominence, it does appear that party members no longer deserve the wholesale respect and trust their leaders once had for them.

It is in the light of this development and of the greater loyalty of the professional and peasant classes that Stalin's speech of May 2, 1935, can be understood. There are "party and non-party Bolsheviks," Stalin said. This statement makes Soviet history. Hitherto, the term "Bolshevik" had been applied exclusively to party members. They were in a special, restricted category on which the régime relied. But now Stalin declares that not only party members are Bolsheviks. You can be a Bolshevik without being in the party. Then why be in the party? Or why not accept all these non-party Bolsheviks into the party and thus transform it into a mass party, an all-inclusive party numbering tens of millions?

The concept of non-party Bolsheviks smashes a hundred sacred Soviet traditions. But it had apparently already been crystallizing in Stalin's mind. In 1933 he received a group of authors who were Communists, and, after scolding them roundly for the poor quality of their output, said: "Learn to write from non-party authors," though Lenin had once declared: "Down with non-party authors." This apparent contradiction is misleading, for the non-party authors had changed between Lenin's denunciation and Stalin's advice; they had become non-party Bolsheviks, loyal, convinced Communists without a Communist party card.

Yet how can a democracy be born in a country that does not enjoy freedom of the press, freedom of speech and freedom of assembly? Is real democracy possible where the individual's immediate interests and rights are completely ignored, as is fre-

quently the case in the Soviet Union, if they conflict with some official's understanding of the interests of the State? Is not democracy a caricature without habeas corpus or with secret arrests and secret trials?

Human rights, however, do not always correspond to civil rights. A Russian Communist will tell you that a citizen may have the ballot and live under the protection of a liberal bill of rights and still be a slave; that there are probably some unemployed who would exchange the vote for a permanent job and economic security; that one's person is not really inviolable when a man can be conscripted for a war for which he has expressed no desire; that parliaments do not prevent exploitation, armed conquests and domination of colonial peoples or the concentration of wealth in the hands of the few; that the major part of man's life in the bourgeois world is fashioned under the dictatorship of his employer; that employers likewise exercise a decisive influence on a nation's culture, religion and government. Yet the steps which the Soviet régime has been making toward democracy are, in the main, steps toward civil rights, toward equal civil status, toward the elimination of political disabilities, toward a merging of the differences between party and non-party. But what of human rights?

On May 4, 1935, Stalin delivered in the Kremlin a statement, terse, clear and strong as usual, which dealt with the rights of the individual. He complained that in the Soviet Union "people are frequently shoved around like pawns." He attacked the "disgraceful relationship to people, to personnel and to officials." Men and women must be helped and tenderly cared for. "We have not yet learned to appreciate people, to appreciate officials, to appreciate personnel," he declared. "We must realize that of the valuable capital in the world the most valuable and the most important is man."

This is promise, not fulfillment. Hitherto, bolshevism has been so concerned with humanity that it has often forgotten the human being. Until recently, the Bosheviks were busy building the economic base of human happiness. There could not have been much Soviet humanism while no means, be they in the form of health, nerves or lives, were spared in the race toward the economic goal. But today this period of tremendous sacrifice is over. The majority of Soviet citizens have their necessities and many have an increasing number of comforts. The Soviets claim to have established the principle that a non-capitalist State can make progress and that the prosperity which makes happiness possible is spreading.

But that is not enough. In the Soviet Union almost all capital is owned by the State. The State employs millions and controls the working day of millions more. Practically the entire life of the country lies in the hands of bureaucrats or officials. If they are stupid, because frightened by the terror, citizens will of course be harassed, troubled and unhappy. Countless small but irritating miscarriages of justice result from the automatic obedience of officials to orders from above. Instructions are applied with a mechanical universality that brings hardships to individuals simply because the bureaucrats make no exceptions to rules. Everybody under their domination must fit into the groove of the latest decree or regulation. Ilf and Petrov, the famous Soviet feuilleton team, recently excoriated these blind and harmful bureaucrats. They lacked "sense of proportion," Ilf and Petrov charged.

Behind the absence of a "sense of proportion," however, lies the deeper cause which these Soviet authors failed to mention—fear. It is because the official is afraid of breaking the letter of the law that he offends its spirit. He is afraid because punishment is often severe and irrevocable. Fear is still one of the most overworked weapons of the Soviet régime—fear, and a desire to curry favor with his superiors, though this second factor is also a phase of fear. The subordinate strives to remain in the good graces of his superior in order to insure against dismissal. To be sure, it is easy to find another job, but the rapid turnover of officials is one of the causes of their inefficiency. The inefficiency of the bureaucracy is being fought by Moscow, but as long as there is no civil service system of permanent officials there will be corruption, mismanagement, fear of punishment for minor misdeeds and automatic worship of words rather than consideration for the welfare of the individual who, by virtue of the Communist system, is constantly in contact with officialdom.

It is now recognized by the Soviet leaders that less intimidation and terrorism would stimulate further cultural growth, artistic creation and even economic progress, and in the last two or three years there has been a marked trend in this direction. This is seen particularly in the curtailment of the prerogatives and powers of the Ogpu, or, as it is now called, the Commissariat of Home Affairs. The public law courts try more cases, and the Commissariat fewer. Arrests for political offenses had dropped sharply until the assassination of the Leningrad Bolshevik leader, Serge Kirov, on Dec. 1, 1934, which caused a violent recrudescence of the terror. But it was short-lived and restricted in its scope because there are no longer any large disloyal groups in the country. Actually the terror was directed against a small section of the population, against members of its most privileged section, against Communists. The fact that Kirov was killed by a party member has not been without its effect on the status of the party and may have had something to do with the publication by Stalin of the "party and non-party Bolshevik" phrase which he used at a meeting two years ago, but kept out of print. In any case it seems that the reform of the Ogpu is permanent.

What effect will the danger of war have on the movement toward democracy and moderation, which since the Kirov assassination has been continued and in fact accelerated? The Bolsheviks do not want a war. Yet, the more threatening a war becomes the further the Bolsheviks push the democratization of their system. One way of preparing for war would be to clamp down the lid and terrorize the country. But a far better method is to win its voluntary support and to arouse its patriotism. The next war, if and when it comes, will be fought by civilian populations as well as by armies. Democratization is thus being stimulated by the war scare. This is the answer to those who believe that Russia cannot afford to scrap the dictatorship because she has so many enemies at home and abroad.

Only the framework of a democracy at present exists in the Soviet Union. The newly granted equal civil rights and the new attitude toward the exclusive position of Communists undermine the principle of dictatorship, but not the dictatorship itself. Logically everything seems to be prepared for the collapse of the dictatorship. Yet it remains firm, and democracy consequently awaits its chance.

That chance would come with the fuller recognition of human rights. The clipping of the Ogpu's wings and Stalin's speech on individual rights constitute only a beginning. "Socialist humanism is beginning to shine," *Pravda* says. Much more personal freedom is required before democracy can become real.

Russia, it should be remembered, has no democratic traditions. Even the relations of citizens to officials, especially to higher officials, lack the democratic spirit, for Russia never had a democratic government. Throughout her history she was oppressed by a fierce, anti-cultural, unenlightened autocracy. Kerensky's régime, the seven-month interregnum in 1917 that called itself democratic, actually tried to keep the country in the World War, against its will. That unpopular policy, undemocratically arrived at, was the chief cause of Kerensky's fall and Lenin's rise. The Soviet State was early subjected to military invasion. Most of the powers of the world sent their armies to cooperate with the Whites or counter-revolutionaries on Russian soil. If the Bolsheviks had not availed themselves of the terror of the Cheka and the Ogpu they would have been overthrown. But now the disappearance of terrorist methods promises not to weaken or threaten, but only to strengthen the Soviet Union.

The Bolshevik leadership has accepted this view, though the official thesis is that dictatorship and democracy are not incompatible. *Izvestia,* organ of the government, for instance, calls "for the strengthening of the proletarian dictatorship and the broadening of Soviet democracy." If the proletarian dictatorship is regarded as synonymous with the Bolshevik State, then the latter is undoubtedly strengthened by broadening its democratic base. Officially there has been no intimation that the dictatorship will ever disappear or submit to reform. But a clear, straight, unmistakable line connects Stalin's speech of June, 1931, on the rights of the intelligentsia with the successful collectivization of agriculture, with the patriotic propaganda initiated in June, 1934, with the reorganization of the Ogpu in July, 1934, with the frequent use of the word "nation" beginning in the second half of 1934, with the constitutional reforms of February, 1935, with the democratic statutes evolved for collective farms in March, 1935, with Stalin's reference to "party and non-party Bolsheviks" on May 2, 1935, and with his "humanism" speech of May 4, 1935.

The world has never seen a Socialist democracy. Its birth presents special problems because of the omnipotence of the State and the intimate relationship of the State to each individual. But it also has unique possibilities, for it presumes true equality of economic status. There being no conflict under socialism between labor and employer, there being no exploited and exploiter, Soviet individuals could acquire a voice in the affairs of life that really matter. When will that be?

Fiction Mirrors America

By NEWTON ARVIN*

NOT many things in nature live so long or so lustily as the formulas of literary criticism, and every one who reads, or reads about, serious American fiction is almost as familiar with certain sorts of distinctions among writers as he is with his own name. That one novelist or short story writer is a romantic and another a naturalist, that one is a sophisticate or cosmopolitan and another a regionalist, that one is a traditional American optimist and another a decadent pessimist—such observations cost little but the mild labor of repetition. In themselves, of course, these are real and useful distinctions, but after a time they tend to make it harder rather than easier to see the books in question themselves and not simply the critical folders in which they can be conveniently filed.

These particular formulas, for example, tend to blur a line that can be drawn through most American fiction from the beginning and especially in the last forty years—a line it takes no great insight to draw but only, perhaps, a willingness to make much of the obvious. For it is obvious enough that most of the interesting writers of American fiction, representative men and women as they are of the middle classes, have been more or less consciously preoccupied with the inherited values of American individualism, and that they have either clung to and propagated those values or, arriving at the conviction that they are obsolete, have sought for others to take their place; or have vacillated between the two attitudes. Fashions in literary technique or in narrative material have come and gone, but the rightness or the wrongness of our traditional self-reliance and self-sufficiency has never ceased to be an explicit theme or a latent question in our fiction.

This is partly, of course, because the endlessly complex relations between the individual and society have always been and will always be among the great classic motives in literature, but it is also because those relations have seemed acutely and peculiarly problematic in recent years. The American writer of the middle class has grown up to believe that "the American compact," as Whitman said, "is altogether with individuals"; he has been trained to think and act as if on the virtues of the strong and aggressive individual hung all the law and the prophets; and he has found himself in a world in which these assumptions have been increasingly challenged by social thinkers; a world, moreover, so chaotic, so brutal, so disappointing in many human respects, that the challenge has seemed a legitimate one. By no means all our novelists have been conscious apologists or conscious critics of American capitalism, but to all those who are worth speaking of the morality that

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has underlain and fortified that system has been a profound concern.

In a sense this has been true from the outset, so that if Fenimore Cooper created in Leatherstocking the great representative embodiment of the virtues of the pioneer, so many of which are also the business virtues, in an only slightly later time the tales and romances of Hawthorne allegorized the destructiveness or the sterility of certain sorts of individualism. But it was only in the generation that saw the rise of monopoly, the generation of Howells and Bellamy, that American writers began to question concretely, as those men did, the "rugged" philosophy of self-help that was making that tendency possible. Howells and Bellamy were voices crying in a wilderness, and it was not until the coming to a head of the middle-class reform movement in the time of Theodore Roosevelt that the old values began to be challenged not only consciously but widely and drastically.

Every one knows that for a period of six or eight years, early in the century, a new interest was taken in novels dealing with sensational matters of political corruption and financial chicanery. What has been a great deal less appreciated is that the most thoughtful of those novels not only exposed the prevalence of graft in American public life but questioned, and more or less sweepingly rejected, the whole morality of aggression, acquisition and self-advancement that lay behind it. There are pictures of legislative fraud, of real-estate swindles and of monopolistic guile in the novels of Winston Churchill and Robert Herrick; but, on a deeper level than this, there is in both writers, and especially in Herrick, a serious and philosophic intention to discredit the religion of success itself. This intention gives such books as *A Far Country* and *The Memoirs of an American Citizen* a genuine salience; and even in the more simply documentary and propagandist works of Upton Sinclair there are moral implications that, given his highly characteristic middle-class background, it would be uncritical to miss.

In all these writers, however, some of the old spiritual individualism of the Protestant heritage survives; and in other novelists of their generation there is a real and sometimes tragic conflict between predispositions toward success-worship and truer insights. Frank Norris, Jack London, David Graham Phillips and Theodore Dreiser were all in their different ways angered or saddened by the spectacle of disorder, waste and needless suffering about them. London was for some years an active Socialist; Dreiser has been a Communist sympathizer; and even Norris and Phillips, in some of their novels, instinctively identified themselves at moments with the spokesmen of radical doctrines. But the heritage of their class was tenacious in all these men. To them, on one side, as to Emerson, life was "a search after power"; and down upon the fine resistance of their humane feelings flowed the strong current of a harsh and almost barbaric individualism. The wolf, the Titan, the superman, the bold genius prevail in their fiction in spite of everything.

No such evident and open clash between collectivist inclinations and pioneering emotions obtains in the work of conservative writers like Mrs. Wharton and Booth Tarkington, but even with them there is an interesting complexity and even confusion of comment. No writer of her genera-

tion was more erosively disrespectful than Mrs. Wharton of the grossly successful individuals, the flushed plutocrats and go-getters who appear in such books as *The House of Mirth* and *The Custom of the Country;* and her reiterated preachment is that the individual, even if understandably rebellious, must bow to the superior authority of social necessities. But these necessities she has always conceived in terms of inherited custom and established privilege. Mr. Tarkington, too, after leading in *The Turmoil* an impulsive but vivacious sally against the forces of unplanned, meaningless and boastful aggrandizement, withdrew rapidly to an unexposed position; and there, with such novels as *The Midlander* and *The Plutocrat,* demonstrated his renewed faith in an almost Franklinesque morality of trade, speculation and salesmanship.

With the apparent triumph of reformism in the election of Woodrow Wilson, younger writers of fiction ceased to feel the interest their elders had felt in political and social questions. What seemed to be taking the place of the old conscientious sense of social responsibility was a new revolt of the individual, though now the sensitive rather than the tough-minded individual, against the pressures of the group. The novels of James Branch Cabell and Joseph Hergesheimer, mannered and shallow as they are, have a certain unity that springs from their authors' romantic contempt for the average and their cult of the rare, the distinguished, the aristocratically lonely hero or heroine. Sinclair Lewis's sympathies once seemed to lie with the defiant protestant against stifling conventions and village morality; and on another level, though he was capable of lampooning the obvious fatuities of boosting and "service," such novels as *Dodsworth* and *Work of Art* have made it clear that, like London and Dreiser, Lewis instinctively respects power, and in fact has almost as much esteem as Tarkington for the successful money-maker.

It is the other and more idealistic individualism that pervades the fastidious, tenuous novels of Zona Gale. It is something of the same sort that, with a Bohemian bias, gives character to the rebellious novels of such Greenwich Village writers as Floyd Dell. Through the very different work of Willa Cather runs a steady preoccupation with the gifted, the ambitious, the aspiring individual, the true pathfinding pioneer surrounded by incompetents, the fine artistic spirit environed by dullards; and her most sympathetic personages are characteristically seen in a poetic solitude. This last is true also of the men and women, even the young men and women, in the tales and novels of Sherwood Anderson—puzzled, unsatisfied, isolated people, most of them, whom one usually sees shut up alone in their rooms or solitarily running along a country road or a village street at night. They too are in revolt, though usually vague revolt, against the hobbles and blinkers of their social medium.

All this is true of the Wilsonian writers, but it is only one side of the truth. If they are individualists, it is no longer in the old, positive, Emersonian or Whitmanesque fashion. Their individualism is a negation rather than a call to the deed, and means not so much reliance on self as distrust of others, distrust, at any rate, of a hostile and uncomprehending world. It is the individualism not of hope but of disappointment. In writers like Cabell it is a wholly decadent nostalgia, and in the other, more critical writers it fails increasingly to stand on its own base. As

individualism, it is emptier and emptier of content, and moves irresistibly toward something that will enable it to transcend itself.

This is the case even in Sinclair Lewis, whose most typical hero, the physician Arrowsmith, bitterly anti-social as he is, can find meaning in life only by dedicating himself heart and soul to the supposedly impersonal pursuit of scientific truth; and even Lewis' successful hotel-keepers and automobile manufacturers feel the unmasterful need of justifying their careers by minimizing the egoistic motive and calling their taverns and their motors "works of art." Willa Cather passed from the strenuousness of *O Pioneers!* through the growing defeatism of *A Lost Lady* and *The Professor's House* to the weak traditionalism of *Death Comes for the Archbishop* and *Shadows on the Rock*—a traditionalism in which medieval religion is the chief ingredient and in which the individual, having broken with all of Protestantism, can utterly lose himself. As for Anderson, from the beginning, though his theme was loneliness, it was exactly the misery of that loneliness that obsessed him, and his characters kept groping, as he did, for the thread that would lead them out of the labyrinth of self into creative relations with other men and women. "My fruit shall not be my fruit," he wrote, "until it falls from my arms into the arms of others over the top of the wall."

To the cultural pathologist the work of these middle-generation writers would have demonstrated, even before the war and certainly in the few years that followed it, what was happening to the inherited values of the frontiersman, the trader and the industrial chieftain. To the veriest layman it might have been crudely evident from the younger literature of the Nineteen Twenties that American individualism as a valid way of life was exhausted beyond restoration. At the same time that the flush prosperity of a bull market was apparently vindicating all the ancestral saws, the fiction that came from the pens of the most susceptible, the most intuitive and the most honest of the younger writers was building up an elaborate clinical picture of moral inanition, psychological corruption and social chaos. It was comforting to attribute this fiction of the "lost generation" to that useful ephemerid, post-war psychosis, but the critical mind saw it as symptomatic of a social life from which every principle of valid unity had disappeared, leaving its best spirits disoriented, embittered and morally unemployed.

Their elders had struggled for a rather ill-defined "freedom," and now, in the relaxed atmosphere of the jazz age, and in the prosperous classes, the generation that was a contemporary of the century found itself with unprecedented license on its hands. If such knowing writers as Scott Fitzgerald, Ernest Hemingway, Ring Lardner and John Dos Passos are to be trusted, and they speak with persuasive authority, this mere independence of restraint proved to be the most derisive of blind alleys. At the end of *This Side of Paradise,* Fitzgerald's Amory Blaine is walking alone on the Princeton campus and, throwing up his arms to the Summer stars, "I know myself," he cries, "but that is all." That it was an inadequate and sour knowledge Fitzgerald's later stories and novels amply illustrated. The outcome of being simply on one's own, in a social world that had no goal but bigger dividends, seemed to be the conviction that, as one of Heming-

way's titles and all his narratives exemplified, the poet of *Ecclesiastes* was right: "The sun also ariseth, and the sun goeth down, and hasteth to his place where he ariseth." Satiety, disgust and an all-deflating skepticism —these are the emotions that prevail in the works of Fitzgerald and Hemingway, in the ashy tales of Ring Lardner and in Dos Passos's *Manhattan Transfer*.

When he said that he knew himself, however, Fitzgerald's hero, though he begged the question whether even the self can be truly known in a vacuum, was speaking for a literary decade that, in fiction as in poetry, was taking its cue from the abnormal psychologists and turning in upon itself with a more and more inordinate subjectivity, developing the technique of the monologue or soliloquy even at the expense of intelligible communication, and obsessing itself more and more, inevitably, with neurosis, perversity and madness. An inspired introspectiveness is at work in the novels and tales of Conrad Aiken, of Evelyn Scott, of Kay Boyle and of William Faulkner; the lessons learned from such masters as Proust and Joyce have been well learned; but nothing could demonstrate more terribly the destruction of individuality that results from a hypertrophied individualism than the human scene they evoke—a scene which, peopled as it largely is with neurasthenics, idiots, hysterics, perverts and paranoiacs, sometimes reminds one of the writhing lines and contorted faces in a late medieval fresco of the Last Judgment, or of the landscapes filled with weird non-human figures in some of Goya's evil etchings.

In this respect the writers of fiction were not outdone by the poets of the period; the atmosphere of Conrad Aiken's *Blue Voyage* is as dry and desperate as the atmosphere of T. S. Eliot's *Waste Land*, and not even Robinson Jeffers's men and women are so monstrously perverted, so unhumanly suggestive of the lower primates, as some of the creatures who chatter and scratch and hop about in Faulkner's *Sanctuary* and *The Sound and the Fury*. It is true that the fiction of the decade was rarely so willfully noncommunicative, so capriciously unintelligible, as some of its poetry; in the nature of things it could hardly be; but, in the sketches of *Geography and Plays* and in *The Making of Americans*, Gertrude Stein showed that even something like prose fiction can be pushed over the line that lies this side of tedious and elaborate nonsense when it becomes the vehicle for nothing more important than personal whim and refined narcissism.

Instinctively or consciously determined to steer off the shoals that lay in wait for the bored cosmopolite, the urban sophisticate and the fatigued self-analyst, a certain number of writers in the Nineteen Twenties turned away from the city, away from the post-war world of mass production and mechanized work and play, to the slower and simpler lives of American farmers, mountain-folk, villagers, ranchers and the like, and attempted to find in these lives, and in the American past that had shaped and colored them, an antidote to the feverish rootlessness of the age. A sound if partial insight lay behind this "new regionalism"; there was a real wisdom in its effort to relate the individual to the rich and homely life of his own people; it stimulated the discovery of unexpected wealth in the popular arts and the oral traditions of the country; and it produced, in the work of Glenway Wescott, of Elizabeth Madox Roberts, of Ruth Suckow and others, some of the most affecting

and most poetic fiction of the decade.

It has been a highly ambiguous and doubtful tendency, nevertheless, and many of its expressions have been not only disappointing but mischievous. The idolatry of the isolated region, the cult of agrarianism and "the earth," the quest for the primitive, these things have too often gone hand in hand with an ignoble refusal to confront and to study the international modern world of profit-making and financial imperialism; they have too often begotten a tragically dangerous worship of the subrational and the prehistoric; they have too often seemed to eventuate in sentimental and sterile nostalgia or in a conscious social obscurantism. They could well play into the hands of a native fascism.

Something like this would certainly be the judgment of the youngest and most remarkable group of American novelists, the Marxist or proletarian writers who have appeared during the crisis. Some of these writers could easily set up on their own as pure regionalists. Erskine Caldwell writes with the greatest intimacy of the lives of Georgia share-croppers and tenant-farmers; Fielding Burke and Grace Lumpkin, in such books as *Call Home the Heart* and *To Make My Bread,* deal tenderly and closely with the ways of mountain people in North Carolina and Tennessee; and Josephine Herbst, to judge from *The Executioner Waits,* has quite as full a personal awareness of what Iowa farmers and townsfolk think and do as Ruth Suckow. But the work of these writers has a hardness of fiber and a palpable momentum for which one need not look in even the best of the regionalists; and this because they see their regional material not in the light of a reminiscent populism but in the light of a philosophy of history that lays a heavy emphasis on economic realities, on the conflict between classes and on conscious political change.

What is still more interesting here, this youngest generation of novelists has taken the step which the generation of London, Dreiser and Herrick never quite took or took uncertainly; consciously or intuitively, they have turned their backs once and for all on both the old romantic and the old philistine individualism, and committed themselves to a social philosophy that is by no means, to speak negatively, intolerant of the individual, but is on the positive side intensely collectivistic. Hawthorne's "magnetic chain of humanity" is not consciously in their minds; but it is this that, by the rendering of group action and class loyalties, they aim to help in constructing.

It is true that some of the sincerest and most robust of these writers dwell on aspects of contemporary life so ugly and so brutalized that they might seem, like the writers of the lost generation, obsessed with the spectacle of "the individualistic nightmare" rather than with the positive and hopeful alternative to it. The excruciating depiction of New York tenement life in Michael Gold's *Jews Without Money;* James Farrell's grim history of a group of young Chicago toughs in his three volumes about Studs Lonigan; the epic of chaos and futility that John Dos Passos's *42d Parallel* and *1919* on one side seem to be; the pictures of moral squalor and social rawness in Edward Dahlberg's *Bottom Dogs* and Albert Halper's *The Foundry;* these things could be made to appear as nihilistic as the fables of Hemingway and Faulkner. But only superficially, for in many tangible and intangible ways that cannot be defined here, the concentration of

these writers on the life of the industrial or white-collar working class, rather than on that of the bourgeoisie, and the awareness of intelligible tendencies in history that is more or less strong in all of them, effectively avert from their fiction the pest of real defeatism.

Naturally this is still more evidently true of the writers who have dealt with industrial struggles from the point of view of the workers. It holds even for a book so full of dark colors as Jack Conroy's *The Disinherited,* and particularly for the group of novels whose action centres in a strike: Mary Heaton Vorse's story of Southern textile workers of which the title itself is *Strike;* William Rollins's *The Shadow Before,* which also deals with a battle in the textile industry; and Robert Cantwell's brilliant study of industrial conflict in the Northwest, *Land of Plenty.* If nothing else were interesting in such books, they would have extraordinary significance for their representation of individuals relying not on their isolated selves, in the ancestral fashion, but on the solidarity of a strongly purposive group, and gaining rather than losing true individuality by this achieved collaboration. And finally, in Waldo Frank's *The Death and Birth of David Markand,* though its leading characters are members of the middle class, there is a more explicit and philosophic attempt than in any of these other novels to adumbrate the new ethics of wholeness and harmony that must rise on the ashes of the old separatism.

Not all these proletarian novels are clear and unambiguous triumphs of the novelist's art; some of them must be described as interesting and honorable failures; and in general their authors strike one as the precursors of a great school rather than its flower. But the secret of life is in them as it is in no other fiction of the present decade; they open up a trail that is neither a blind alley nor a road downward and backward; and when they are read in the light of what went before them in American literature it is clear that they not only prognosticate the future but continue and expand the best impulses of the past.

Current History in Cartoons



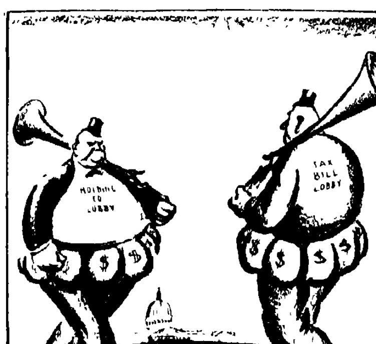
A refreshingly simple solution
—*The Sun*, Baltimore



Uncle Sam is big, too
—*New York Herald Tribune*



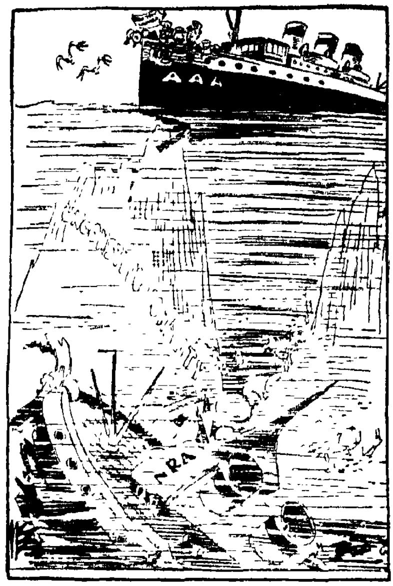
Up-see daisy!
—*Cleveland Plain Dealer*



Changing the guard
—*St. Louis Post-Dispatch*



The runaway
—*Philadelphia Inquirer*



What is going to happen?
— *Daily Oklahoman*



A problem to be solved for mutual benefits
—*The Times-Picayune,* New Orleans



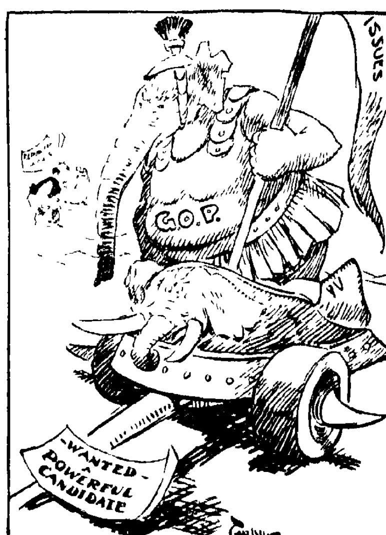
The new strong man
—*Rochester Times-Union*



The mud thrower is cleaner
—*The Detroit News*



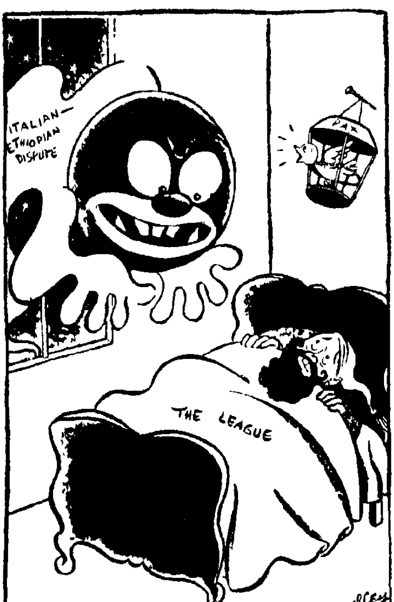
At best, a poor copy
—*Courier-Journal*, Louisville



As the hour of battle approaches
—*St. Louis Globe-Democrat*



Might Is Right: The policeman (League of Nations) thinks it no longer worth while to intervene
—*De Groene Amsterdammer*



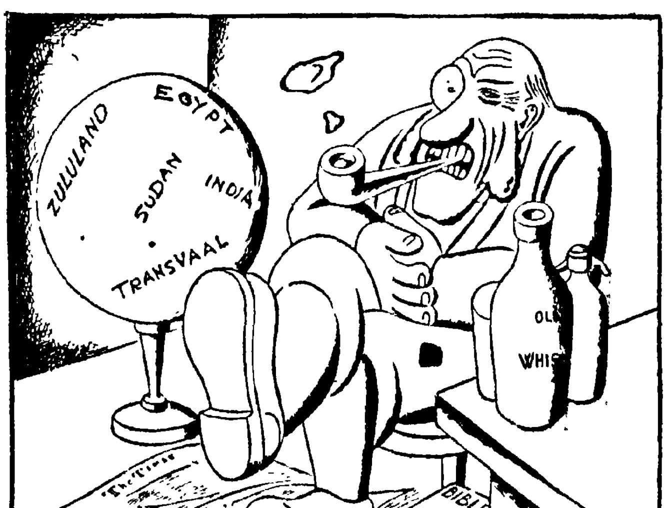
Midsummer's nightmare
—*The Sun, Baltimore*



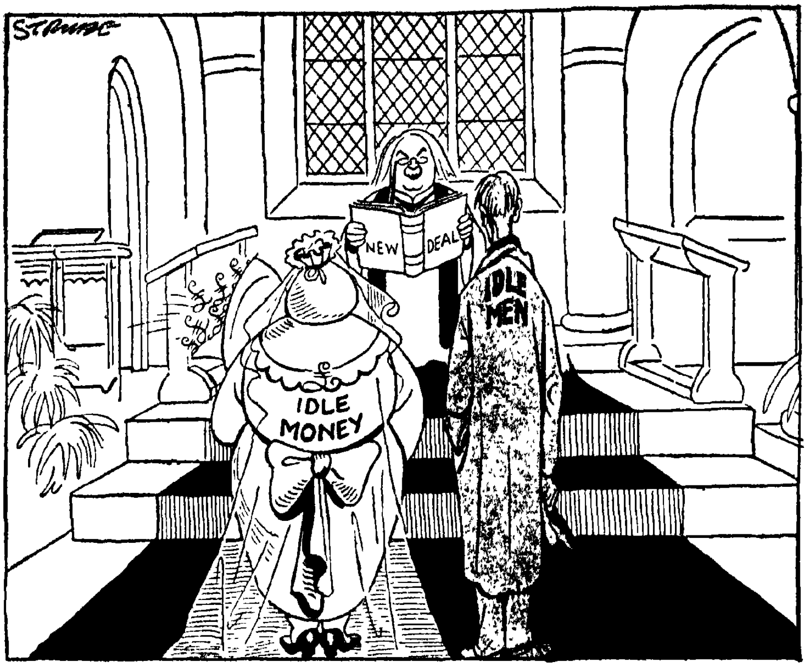
"Let's go, everybody"
—*The Post-Standard,* Syracuse



Englishman: "Stop! Stop! I want to civilize Ethiopia."
Mussolini: "No interference here. *I* will civilize Ethiopia."
—*De Notenkraker*, Amsterdam

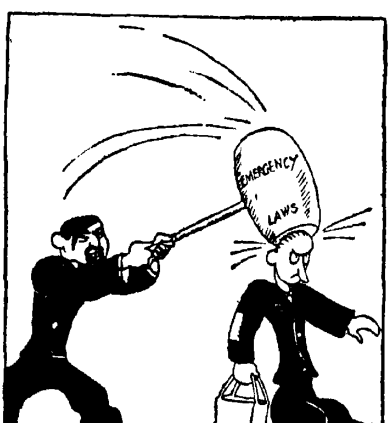


The candid Englishman. "A colonial war—what nonsense!"
—*Guerin Meschino*, Milan



Lloyd George: " . . . if any man can show any just cause, why they may not lawfully be joined together, let him now speak . . ."

—*Daily Express*, London



M. Laval strikes a heavy blow to restore the national economy

—*Humanite*, Paris



On the road back

—*St. Louis Star-Times*

A Month's World History

Chronology of Current Events

(Figures indicate page numbers)

International Events

July 6—The United States advises its citizens to leave Ethiopia.
July 9—Attempts at conciliation between Italy and Ethiopia break down.
July 11—British foreign policy outlined by Sir Samuel Hoare (641).
July 11—Secretary Hull urges peace between Italy and Ethiopia.
July 12—Secretary Hull reaffirms American adherence to Kellogg pact.
July 22—Britain drops navy quota system (624).
July 24—Britain supports the United States in work for peace in Africa.
July 25—Italy proposes resumption of arbitration of Ethiopian dispute.
July 31—League Council meets (582).

The United States

July 16—Federal Court of Appeals rules AAA unconstitutional (631).
July 17—Federal Court of Appeals upholds TVA power plan (631).
July 23—Governor Pearson replaced as Governor of Virgin Islands (628).
July 26—Senate passes Banking Bill.
Aug. 5—House passes Tax Bill (626). Bus Control Bill passes Congress.
Aug. 7—Rhode Island elects Republican Congressman in by-election (632).

Canada

July 5—Parliament prorogued (633).
July 23—Liberals win Prince Edward Island election (633).

Latin America

July 13—Peru establishes quota system for certain imports (640).
July 19—Argentina places censorship on news (639).
Aug. 2—Term of Bolivia's Provisional President extended one year (639).

The British Empire

July 1—Lancashire coal-marketing agreements come into effect (642).
July 9—Labor motion of censure fails in Commons (641).
July 12—Religious riots break out in Ulster (644).
July 15—Lancashire cotton-weavers' minimum wage scale becomes effective (643).
Britain announces new meat policy (643).
July 17—Distressed Areas Reports published in London (641).
July 22—Baldwin Cabinet rejects Lloyd George's New Deal (642).
Aug. 2—British Parliament adjourns (641).
India bill receives royal assent (645).
Aug. 6—Marquess of Linlithgow appointed Viceroy of India (645).

France

July 12—Colonel Alfred Dreyfus dies.
July 14—Paris peaceful in midst of Bastille Day demonstrations (647).
July 17—French Cabinet issues decrees for economies (646).
Aug. 6—Riots at naval arsenal in Brest (647).

Germany and Austria

July 10—Austrian Federal Chamber wipes out anti-Habsburg laws (651).
July 15—Anti-Semitic riots in Berlin (650).
July 18—Edict issued against political activity of priests.
July 23—Catholic veterans' organization dissolved.
July 26—Dutch Cabinet falls (652).

Italy

July 22—Italy reduces gold coverage for the lira (653).
Aug. 6—Mussolini mobilizes three more divisions (655).

Eastern Europe

July 4—Yugoslav Premier issues statement of government's policy (660).
July 10—Polish Parliament is dissolved (659).
July 12—Yugoslav Regent and Rumanian King confer.
July 19—Greek Cabinet falls (657).
July 23—Greek Premier approves conditions for monarchist restoration (658).
Aug. 1—Danzig breaks customs union with Poland (660).

The Soviet Union

July 12—Belgium recognizes the Soviet Union (664).
July 13—United States and Soviet Union sign trade agreement (663).
July 25—Communist International meets in Moscow (665).

The Near and Middle East

June 27—Egyptian Nationalists announce support of Nessim Pasha's non-partisan government (668).
July 15—Egyptian Government denounces commercial treaties with Japan and Rumania.
July 29—Palestine manufacturers protest Japanese dumping.

The Far East

July 1—Soviet Russia protests border incidents to Japan (669).
July 4—Japanese-Manchukuoan note sent to Mongolia (670).
July 20—Japan issues order retaliating against Canadian tariffs (671).

Bigger Navies for All

By Allan Nevins

The past month has witnessed the complete absorption of international attention in the Ethiopian question. The British abandonment of naval ratios, the new Constitution for India, the visit of the Polish Foreign Minister to Berlin, the progress of Japan in Northern China—all such matters have fallen into the background. (For a discussion of the Ethiopian crisis, see the article on page 577.)

An important debate on naval policy took place in the House of Commons on July 22. Replying to Lloyd George, who had criticized the naval agreement with Germany, the First Lord of the Admiralty reviewed the whole position of naval limitation. He paid tribute to the Treaty of Washington for keeping the peace during fifteen years. But its principle, which was that of ratios, would now, he said, have to be abandoned, for the pride of some countries had been hurt when a naval strength permanently inferior to that of other nations had had to be accepted. Instead, naval limitation must be based simply upon programs. The British Government intended to ask other Powers, "How large a navy do you intend to have, say, in 1942?" On the basis of the replies, the government would try to obtain an agreement upon mutually satisfactory programs. Once the agreement was reached, each nation would be expected not to increase its program without informing the others and consulting with them.

This announcement was not ill received in the United States. It is as well recognized in Washington as in London that the attitude of Japan has killed the ratio principle beyond hope of resuscitation. Nor is there now much hope in either capital of a hard-and-fast naval treaty, signed by all the great powers, to replace the Washington and London treaties when they expire at the close of 1936. Yet it is evident that the British plan does little to avert the danger of a general naval race, at least among Japan, Great Britain and the United States. In Europe the British Government has safeguarded itself against a race with Germany by the recent 35 per cent agreement. This bilateral agreement, incidentally, has facilitated arrangements with France and Italy. They need only come to an understanding with Great Britain, and they will automatically have come also to an understanding with Germany.

All this was explicit or implicit in what the First Lord said. But will France and Italy prove sweetly reasonable? In the Pacific, will Japan, when queried as to her program, give a reply that the United States considers satisfactory? In the present temper of the world the danger of a rapid expansion of naval armaments seems great. Great Britain herself is likely to insist upon seventy cruisers instead of the fifty now allowed her by treaty.

The German Admiralty announced its naval construction program on July 8, and British experts did not find it excessive. It calls for the build-

ing this year of two 26,000-ton battleships, two 10,000-ton cruisers and twenty-eight submarines. As a matter of fact, some of these vessels were secretly begun last year. The total tonnage is about one-fourth of that which Germany may construct under her new agreement with Great Britain, and, according to Hector C. Bywater, the ship-types chosen show that the new fleet is directed rather against France than England. British conviction of the government's wisdom in signing the Anglo-German agreement has steadily increased. The fleet, or a larger one, would have been built anyway; and, as Mr. Bywater writes, "its unheralded appearance in the North Sea a year or two hence would inevitably have provoked a dangerous crisis." Now the British are in a position to urge Germany to go slowly with her program, and are doing so.

The New Deal's Rough Road

By CHARLES A. BEARD

ONE phase of American economy revealed a positive direction during the Summer. That was the debt of the United States Government. At the close of the fiscal year on June 30, 1935, the Treasury Department announced a deficit of $3,575,357,963 and a public debt of $28,700,892,624. On this day the outstanding obligations were, in round numbers, $2,000,000,000 above the post-war peak of 1919, and $8,000,000,000 above the level attained in 1933, the year of President Roosevelt's inauguration. The increase of the public debt for the year ended June 30, 1934, was $2,938,511,153, according tc the President's budget of January, 1935.

On this showing one decided upturn appears on the horizon. If uncertainty reigns everywhere else, there can be no doubt in this department: If the trend continues a crisis will come in American finances and call for the most drastic action ever taken in the long history of the Treasury. Only the inflationists and prophets of disaster could possibly welcome that phase of our manifest destiny.

Yet if President Roosevelt, or any of his supporters in Congress or outside, was alarmed by this evident trend, carrying inexorable consequences, no signs of qualms were made public. Accepting at face value the President's June tax message proposing to levy on "very large" incomes, inheritances and corporations, the Ways and Means Committee of the House on July 30 reported out a new revenue bill. This measure started the increase in income taxes in the bracket ranging from $50,000 to $56,000 a year. It included new inheritance taxes beginning lower in the scale, a graduated corporation tax, an excess-profits tax and a new gift tax. In letter and spirit it was designed to increase the burdens laid on rich individuals and large corporations, and not primarily to produce large revenues to meet the mounting debt. According to the estimate of the Ways and Means Committee it would yield about $270,000,000 in returns to the Treasury. The Demo-

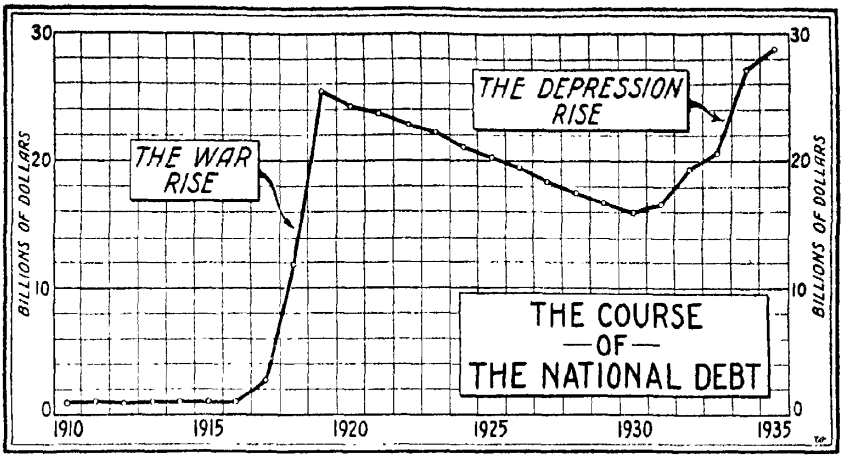
cratic machine ran over all opposition, and the bill, with a slight modification, was carried on Aug. 5 by a vote of 282 to 96, with 18 Republicans on the affirmative side. Then the Senate was given its chance.

On the day that the Ways and Means Committee transmitted its proposals to the House, the Republican minority of the committee presented its dissent. It declared that the Democratic measure bordered "on the point of actual confiscation," yielded only enough revenue to run the government for about two weeks, and, as a scheme for redistributing wealth, offered about $2.25 to "each of our 120,000,000 people." But beyond hinting at "a thorough revision of the tax structure," the Republican minority offered no constructive program. Nor in the course of the debates in the House did Republican leaders support efforts to broaden the base of the majority bill in a manner to produce a material increase in revenues. If, as alleged, "frivolity" characterized the administration program, then "ineptitude" marked the statesmanship of the Republican opposition.

At press conferences during the preparation of the "revenue" bill President Roosevelt continued to emphasize his desire to limit the taxes to "very large" incomes, inheritances and corporations. At one conference he referred pointedly to the fact that in 1932 fifty-eight persons who had incomes of $1,000,000 or more paid no tax on 37 per cent of their receipts on account of the tax-exempt securities which they held. He referred specifically to one family that had divided its holdings into 197 trust funds for the purpose of reducing its tax burdens. Then, as the news report ran: "Laughingly, he proffered a distinction in terms: Tax evasion becomes tax avoidance when a wealthy man hires a $250,000 lawyer to change the word evasion to the word avoidance." It would seem then that the President was light-hearted on the point of revenue and deficits, and bent on forcing those with "very large" wealth to disgorge larger amounts than under previous legislation.

While this display of fiscal policy was being made reporters and editors found difficulty in trying to chart the President's course. His supporters assumed that he knew where he was going and was ingeniously tacking and trimming sail for the purpose of disconcerting his foes—the Republican right and the Long-Townsend-Coughlin left. Outspoken Republican critics conceded the purpose and characterized the tactics as "demagogue politics" rather than a display of "ingenuity." It was manifest that President Roosevelt, like his distant predecessor Andrew Jackson, cherished a deep resentment against "the very rich," and was seeking to diminish their power, in the Jacksonian manner, by a direct assault on them, without formulating any policy for dealing with the enormous concentration in economy with which the rich were affiliated. That could be called strategy of some kind or merely the outcome of a deep-seated belief in "the curse of bigness," akin to that of Jackson and his spiritual heirs—the trust-busters. If the analogy of Jackson was applicable, then the long-time upshot of such negation could not be doubted.

A negative attitude toward "the curse of bigness" likewise appeared in the course of public policy respecting great railways in the toils of "reorganization." One branch of the administration, the Reconstruction Finance Corporation, under the direction of Jesse Jones, for a time made stren-



uous efforts to get a few of the lines, notably the Western Pacific and the Missouri Pacific, upon their feet by cooperating with the groups formerly in control. New plans were announced almost daily.

One of these, prepared by the Van Sweringens for the Missouri Pacific, appeared on July 31 in the form of a project laid before the Interstate Commerce Commission. The scheme proposed to keep intact a vast system composed of many fragments, and to retain in the hands of the sponsors a large share of the supremacy which they had long enjoyed. To the bondholders the new plan offered all the priority of claims justified by the present earnings of the company. But it was immediately assailed by one group of bondholders who wished to scale the Van Sweringen interests downward, and by another group who demanded the complete expulsion of those interests from control over the property. Yet neither of the two groups presented any constructive counter measures. Thereupon Burton K. Wheeler, chairman of the Senate committee charged with the coming investigation of railways, called upon the Interstate Commerce Commission to delay the approval of reorganization plans until his inquiry had disclosed the nature of previous railway practices. About the same time Mr. Jones, speaking for the RFC, was reported to have thrown up his hands in despair.

At this deadlock the policies of the administration had arrived as the Summer days passed. Were the great railway systems in distress to be resolved to bits again, according to the theory of the curse of bigness? Or were they to be kept intact and knit more closely in a rational system of national transportation? If the latter policy was to be pursued, then to whose hands was the task to be committed? To bankers who had hitherto played a leading rôle in the financing and reorganization of railways and as a matter of practice had charged heavily for their operations? If bankers were to be driven out, then who was to furnish the capital and reorganizing talent?

Scattered and inexperienced bondholders, distressed by defaults and losses, seemed to offer no constructive scheme of action, despite all the talk about the "rights of investors." In such circumstances financial ex-

perts awaited with marked interest the investigation to be conducted by Senator Wheeler's committee. The interest was all the keener because it had long been known that Senator Wheeler was an outspoken champion of government ownership. Could an administration shrinking from all contact with the curse of bigness lend effective support to any railway program that might seek squarely to answer fundamental questions long evaded, and lead in the direction of more consolidation and government control—indirect through financing or direct through public ownership?

Nor did that other spectre of bigness, codified industry, disappear from the scene after it was knocked on the head by the Supreme Court in the NIRA case, any more than the issue of 1857 vanished with the obiter of the Dred Scott case. Through the following weeks persistent reports of its existence appeared in the economic news. On July 11 the surviving fragment of NRA reported "wholesale wage reductions, a lengthening of working hours, and a breakdown of labor standards and fair practices on a nation-wide scale." By the middle of the month at least 170 industries had approached the Federal Trade Commission with a view to writing trade agreements or holding conferences on the subject. On July 19 the Wholesale Tobacco Distributers and the commission agreed upon the principles of the first voluntary code drawn up after the Supreme Court decision in May. This event was followed shortly by the announcement that President Roosevelt had held a conference at the White House on two items: (1) The delegation of supervision over labor provisions in voluntary codes to NRA or FTC; and (2) the liability of code makers to prosecution under the anti-trust laws for adopting hour and wage provisions. On Aug. 2 the directors of the American Petroleum Institute received from a committee the draft of a proposed "voluntary code of fair practices for marketing petroleum products," and voted to lay it before the industry for consideration. These reports were accompanied by the news that steps were being taken toward a more vigorous enforcement of the anti-trust acts.

Parallel with deepening confusion in Federal policies ran the same kind of improvisation in administration. The shifting and turnover in administration which appeared late in 1933 continued during the Summer of 1935. For example, after serving for two months as head of "the new NRA," James L. O'Neill laid down his office and returned to the Guaranty Trust Company in New York City. Again, a shameful political squabble in the administration of the Virgin Islands was resolved by the retirement of the two chief contestants, Paul M. Pearson and T. W. Wilson, to comfortable jobs in the Federal administration in Washington. To make room for the latter, Dr. Amy N. Stannard, a competent specialist in criminology, was ousted from the Federal Parole Board for alleged reasons too trivial for serious consideration. At a time when the added functions of the government called for administrative competence of the highest order the distribution of Federal offices was carried on by methods made famous in the reign of Amos Kendall and Martin Van Buren.

On the operating side the improvisation of the administration was revealed in the course of the work-relief program. Between the adjournment of Congress in 1934 and the opening of 1935 it was clear that some kind of operating system would

be required if no one was to starve. When Congress met in January, 1935, President Roosevelt delivered a spirited message demanding an end of the "dole" and a blanket appropriation of nearly $5,000,000,000 to provide work. At the time he made public no details touching specific outlays or operating methods. For months Congress wrangled over his bill and finally passed it substantially as he had proposed.

Meanwhile, had the administration been perfecting plans for action? The state of things in July, 1935, made answer. On July 3 Harry L. Hopkins, Works Progress Administrator, confessed that "not a single man" had been put to work on the new program, although about 100,000 projects were ready to start. The following day this confession was revised by the statement that "a few hundred men" had been employed on four jobs—two for the War Department, one for the Department of Agriculture eradicating pests in New England and the fourth at Passamaquoddy in Maine. Near the end of the month the Federal relief headquarters in Washington admitted that it had "no official figures" of the number actually employed under the work-relief program. "Some officials" were quoted as saying that the number was "very small." The day for "the major start" was then fixed as Nov. 1, and the delay was ascribed to the need for planning "soundly."

The practice of pouring out millions for direct relief had in the meanwhile been continued. It was mainly in the enlargement of the CCC that direct relief was diminished, by the addition of about 400,000 young men to the camp rolls. At the middle of July it was announced that President Roosevelt was making "plans" for work relief during the fiscal year ending June 30, 1937.

Toward the close of July a preliminary estimate from the Works Progress Administration indicated that $1,500,000,000 in round figures had been allotted from the total $4,800,000,000 for various approved projects, and that this sum would furnish employment for approximately 1,127,000 persons out of the 3,500,000 employables for whom work was promised by the President's January message. The same estimate revealed an assignment of nearly $1,000,000,000 for direct relief under FERA during the remainder of the present fiscal year. This unexpected item showed that the administration had in fact abandoned the earlier scheme for ending the dole and providing work, and was preparing to continue the policy of keeping up poor relief on a large scale. Although generous provisions were made in the assignment of funds for the assistance of youth, rural rehabilitation, rural electrification and housing, the difficulties of getting under way threatened the country with long delays at a time when Federal expenditures were supposed to furnish a needed stimulus for private business.

The sensation of the late Summer season was the investigation of utility lobbies that followed the defeat of the "death sentence" provisions of the Holding Company Bill in the House (see August CURRENT HISTORY, page 520). Owing to the charges and counter-charges which accompanied that explosion, separate inquiries were immediately started by committees of both chambers. Since the House had defied the administration, its committee was naturally interested in exposing "improper" influences brought to

bear upon its members by spokesmen of the President.

Early in the controversy Representative Brewster of Maine charged Thomas Corcoran of the RFC with threatening to stop a great Federal power project in Maine unless he voted with the administration. The very suggestion, declared Mr. Brewster, "is repugnant to every instinct of decency in legislation and proper regard for our constitutional oath of office." At a House committee hearing on July 9 testimony was advanced to the effect that Representative Brewster had once given the administration's agents to understand that he would vote for the "death sentence" clause and support it strongly on the floor, and later under powerful pressure from some quarter had decided to vote the other way. The administration "threat" against Mr. Brewster appeared to be a suggestion that he would not be a desirable counsel for the Federal Government on the Maine power project if he was out of sympathy with President Roosevelt's power program. Amid much tumult, in which hot words were passed, the matter simmered down to a question of veracity, in which the weight of evidence, if not conclusive, was on the side of the administration.

For the other end of the Capitol a Senate committee headed by the swift-acting and indefatigable Senator Black of Alabama took the opposite line. The Senate had approved the "death sentence" clause by a narrow margin, and the majority in that body was interested in the lobby conducted against the bill by the utility interests. With startling suddenness the Senate committee seized the papers of Philip H. Gadsden, chairman of the Committee of Public Utility Executives, at his hotel in Washington and brought Mr. Gadsden up for questioning. Touching the matter of lobby expenditures, Mr. Gadsden testified that he had spent about $150,000, supplied by twenty-six holding companies, in working up sentiment against the Holding Company Bill, and that $150,000 in addition had been disbursed for lawyers' fees. Save in respect of details nothing new in the way of methods was added to the revelations presented in the many-volume report of the Federal Trade Commission on propaganda by electrical concerns. With customary impartiality the utilities employed eminent Republicans and eminent Democrats, including Patrick J. Hurley, President Hoover's Secretary of War, and Joseph P. Tumulty, President Wilson's White House Secretary, in "contacting" Congressmen and educating the American public.

A departure from previous methods of investigation was made on July 31 when President Roosevelt, by Executive order, amended the Treasury rules to permit the Senate committee to examine the files of income tax returns in its search for the roots of utility propaganda expenditures.

Nevertheless, if the administration and its supporters on the Senate committee of inquest expected to reverse the opposition of the House to the death sentence provision, they were disappointed. Representative Rayburn, sponsor with Senator Wheeler of the Holding Company Bill, raised the issue on the floor of the House on Aug. 1 by making a motion to instruct the House members of the joint conference committee to accept the original Senate death sentence provision. The challenge was taken up by Representative Huddleston, a Democrat from Alabama, and a vitriolic debate ensued. At the close the House rejected the Ray-

burn proposition and then gave the administration another rebuff by voting to instruct its conferees to insist upon the exclusion of "outsiders" from the joint conference—a blow aimed at a government expert who had been sitting in committee meetings as an adviser. The vote cast by the House against the death sentence provision was slightly higher in percentage than the original vote on July 1: The Democrats were about equally divided and the Republicans were almost solid in their opposition to the administration measure. In the dust of the conflict was obscured the fact that the Holding Company Bill actually accepted by the House contained drastic provisions. After hearing that the House had voted down the administration program Senator Wheeler made a cryptic remark to the effect that a compromise might still be reached.

Although the investigation of utility lobbying seemed to overtop all other interests, the issue of a constitutional amendment to sanction national social and economic legislation displayed vitality. After strongly hinting at it in his conference with the press following the decision of the Supreme Court in the NIRA case, President Roosevelt seemed inclined to let it rest. But both events and opinions kept it alive in national thought. Decisions of lower Federal courts accentuated it. On July 2 Federal judges at Indianapolis and Columbus, Ohio, issued injunctions restraining the collection of processing taxes for AAA. On July 19 Federal judges at Houston, Texas, and Newark, N. J., held vital parts of AAA unconstitutional and void. On the same day a Federal judge at Sherman, Texas, issued a restraining order against the collection of the cotton processing tax. On July 17 a Federal judge at Philadelphia declared unconstitutional the whole processing tax.

These were actions in district courts. The supreme blow was struck on July 16 when the Federal Circuit Court of Appeals at Boston declared, two to one, that the processing tax levied by the Secretary of Agriculture under AAA was unconstitutional and an improper delegation of legislative power. By the language used the majority of the court indicated that every essential element in AAA was void and that Congress had no power whatever to interfere with agricultural production and marketing beyond the mere regulation of goods in motion in interstate commerce.

While the agrarian section of the New Deal program was being shot to pieces in Boston the housing section was going down in ruins at Cincinnati. On July 15 the Federal Court of Appeals for that district, by a two-to-one decision, held that the Federal Government had no power to condemn land for low-cost housing. The language of the court was familiar and positive: "The taking of one citizen's property for the purpose of improving it and selling it or leasing it to another, or for the purpose of reducing employment is not in our opinion within the scope of the powers delegated to the government." Somewhat dismayed by the adverse decision, Secretary Ickes found one avenue of the work-relief program blocked and sought anxiously for some other line of advance.

With NIRA gone, AAA in mortal peril, the housing reform hampered, the New Deal seemed to be shattered to its foundations. Its sponsors found only one major source of consolation amid the gloom. On July 17 the Federal Circuit Court of Appeals at New Orleans, in a unanimous opinion, upheld the constitutional right of the Tennessee Valley Authority to sell its surplus power in competition with

private utilities. In so doing it reversed the decision of Judge Grubb of the Northern Alabama Federal District Court. Although hailed as a victory for TVA, the New Orleans opinion, when closely scanned, revealed strict limitations. The court said flatly that the Federal Government could not at will engage in private business but could merely sell goods that came into its possession as an incident to the exercise of powers in relation to war and commerce.

While the lower Federal courts were at work on the New Deal, President Roosevelt indicated clearly that he intended to press forward with other phases of his program in spite of the fate apparently impending. In an open letter to S. B. Hill, chairman of the House committee in charge of the Guffey-Snyder Coal Control Bill, he pointed out the distress of the coal industry and urged the passage of the bill despite constitutional objections brought up against it. In a sentence that might be taken by purists as containing "asperity" and a reflection upon the Euclidian exactness of constitutional law, the President said: "Manifestly, no one is in a position to give assurance that the proposed act will withstand constitutional tests, for the simple fact that you can get not ten but a thousand different legal opinions on the subject." He then remarked that it would be "helpful" to get the judgment of the Supreme Court on the matter with a view to finding out "the constitutional limits within which this government must work." Then he closed: "I hope your committee will not permit doubts as to constitutionality, however reasonable, to block the suggested legislation."

Although President Roosevelt's statement was mild, indeed innocuous, as compared with things said about the Federal judiciary by Abraham Lincoln and done by Republican Congresses under his administration, although it was sweet-spirited in contrast to remarks on the same point by Theodore Roosevelt, a storm broke on the Republican side. Representative Snell, the Republican leader in the House, hinted at impeachment. He declared that "the constitutional limits within which the government must operate long have been clearly defined," that President Roosevelt knew these limits, and yet to satisfy his "whims" he would proceed on the road to ruin. "In pursuing this headstrong course," continued Mr. Snell, "President Roosevelt has come perilously close to what some people call impeachable grounds." Senator McNary, Republican leader in the Senate, avoided mentioning impeachment, but exclaimed that his party was prepared to meet President Roosevelt in the next campaign on the constitutional issue, perhaps with Senator Borah as the candidate.

Convinced that the New Deal was headed for the rocks, Republican forecasters made ready to occupy the wreckage. They found confirmation of their optimism in a Congressional by-election in Rhode Island on Aug. 5 when victory was awarded to the Republican candidate, who had promised a reduction of Federal expenditures and immediate payment of the $2,000,000,000 bonus. The triumph suggested to a few Republican sentinels in Washington the idea of nominating Colonel Charles Lindbergh for the Presidency in 1936 on the assumption that America had at last become air-minded. To this conception of statecraft had national leadership come as the Summer season drew to a close.

Canadian Campaign Issues

By J. Bartlet Brebner

The Canadian Parliament was prorogued on July 5 in a mood of bored exhaustion. As a general election is due before the next session and defeat seems certain for the Conservatives, many members felt that they were saying good-bye to Ottawa. Prime Minister Bennett practically conceded a Liberal victory in his last remarks to the House, although he heartened his followers somewhat by telling them that he would rather die in harness than quit now. The Prince Edward Island election on July 23 had been the last straw, for the Liberals swept the Conservatives not only out of office but completely out of the Legislature. His Majesty now has no loyal Opposition in Prince Edward Island, an unprecedented state of affairs.

Two days after prorogation, H. H. Stevens, the former Cabinet member who split the Conservatives, announced that he had accepted leadership of what was subsequently named the Reconstruction party, thereby converting the general election into a four-cornered struggle. Liberals and Conservatives, as well as members of the Reconstruction party and Cooperative Commonwealth Federation, at once hastened to put their programs before the Canadian people, only to reveal that there was little difference among the first three. The C. C. F. alone had the courage to assert that it hoped to meet Canada's difficulties by State socialism.

Mr. Bennett's Conservatives were in a bad way. Vigorous economic nationalism had failed as an instrument for fulfilling the promises made in 1930 and 1931 to abolish unemployment and blast a way into the markets of the world. Mr. Stevens had split the party from top to bottom in 1934 by his attacks on big business; and although Mr. Bennett had temporarily recaptured his thunder by eloquent radio promises of sweeping social and economic reforms, the ensuing legislation had been timid and permissive rather than authoritative. Business and industry were switching allegiance to the Liberals; indeed, the Conservative Montreal *Gazette* was more friendly to them than to Mr. Bennett. July was passed, therefore, in finding safe and well-paid positions for the late Conservative stalwarts as Commissioners, Deputy Ministers, judges and Senators. Although the Liberals seem likely to win a majority in the Commons, their thirty-two Senators will have to face sixty-four Conservatives in the upper house, where death takes a slow and even toll from the elderly brakes on Canadian democracy.

No one could estimate Mr. Stevens's strength, although it was obvious that he appealed chiefly to small business men. He had no organization except the improvised Stevens Clubs, no funds except what his followers could collect in the few weeks before election, and no nationally known names among his followers. The United Farmers of Ontario, an organization which governed that Province from 1919 to 1922, but which later surrendered complete autonomy to its

organizations in the ridings, "commended" the Reconstruction party to its members on July 14. But the U. F. O. in turn was an uncertain quantity, for when its executive broke away from the C. C. F. in 1934 no one knew whether the rank and file followed it.

Mr. Stevens's 4,000-word manifesto of July 12, followed by a pronouncement on the railway problem, was a sweeping bid to the discontented. Careful to defend democracy and private enterprise, he centred his attack on the "handful of men" who dominate Canada economically. He would decentralize power and wealth. The fifteen points of his program applied that formula in dealing with poverty, unemployment, distribution of goods, highway construction to attract tourists, reforestation, elimination of grade-crossings, housing, wage and hour regulation, lower interest rates, increased gold production, nationalization of the Bank of Canada, simplification of taxation, national controls of industry and marketing, reciprocal trade treaties, and so forth. He would systematically exhaust Dominion powers before amending the Constitution. He would write down the Canadian National Railways' capital structure by appraisal of its assets, transfer the remaining obligations to the national debt and build up the system by increased traffic and operating efficiency.

By outdoing President Roosevelt at his 1933 best, Stevens left very little for any one else to say. His natural competitors in the C. C. F. refused to be impressed. Their constituent United Farmers of Alberta poked fun at their late brothers in Ontario. In contrast to past efforts, the C. C. F. manifesto issued on July 15 was brief and to the point, bluntly setting up the abolition of capitalism against mere reform—"nothing less than the establishment of a planned and socialized economic order." To reach this end the party proposed adequate social legislation to provide a decent life for all, nationalization of finance and credit, public works to reduce unemployment and amendment of the Constitution to permit "a new social order."

Mackenzie King and the Liberals, although cocksure of victory and hitherto consistent in their refusal to commit themselves, were smoked out of their comfortable hive by Bennett's legislation and by the two manifestoes. Mr. King, in three radio addresses at the beginning of August, was forced to go further than a mere recital of Conservative inadequacies. He did so in traditional Liberal terms of low tariffs, free competition and personal liberty. Of course he also had to attack the privileged minority of wealth and power, but "free competition" must have sounded sweetly and strangely in their ears. Still more congenial to them was "recovery before reform," the theme of the last address. Mr. King would increase British preference, lower tariffs generally by abolishing the various administrative surcharges now existing, completely nationalize the Bank of Canada, give Parliament authority over Mr. Bennett's various national social and economic boards and commissions, continue the national railways as a separate entity, and relieve unemployment by public works, slum clearance and housing. He would end the Conservative practice of conferring unspecified powers on the executive, and would eliminate from the Criminal Code the limitations on freedom of speech and assembly.

CANADA AND WORLD WHEAT

Canada's foreign trade, and indeed most of her economic indices, suf-

fered a marked recession during June for the single reason that the world would not pay the government's set price for Canadian wheat. Exports in June, 1935, were 6,500,000 bushels in place of 18,500,000 bushels in June, 1934. When the amended Wheat Bill, with its obvious intention of selling as much as possible of the 195,000,000-bushel carryover, was passed by Parliament on July 5, the wheat markets at Chicago, Liverpool and Buenos Aires broke violently and the price at Winnipeg dropped to the pegged 80-cent level. Mr. Bennett was quick to deny that there would be any "fire sale" of Canadian wheat, and word went out that the new board would sell in an orderly manner, taking advantage of the 61-cent British preference and of the superior qualities of Canadian wheat. But this had little effect. The pegged Canadian price was still too far above the open Liverpool market.

Relief began to come in an unforeseen way. Early in July rust, which had already been noticeable in the United States, was detected in Southern Manitoba. Under favorable weather it spread rapidly on both sides of the international boundary. Average private estimates of the Canadian crop fell from the 400,000,000 bushels of June to 290,000,000 bushels early in August. By mid-July Canadian exports began to pick up a little, although the visible supply at the end of the month was still 192,000,000 bushels. Prices rose rapidly everywhere, though least of all in Winnipeg—an indication that the government was willing to unload at almost any price above 80 cents. Since the rise in Chicago was less than expected, Canadian wheat was apparently climbing over the 42-cent American tariff wall. Statistics of the movement were lacking, but it was distinctly comforting to have the Winnipeg level 3 or 4 cents above the set minimum at which it had hitherto been impossible to get rid of the last year's crop.

The visit to Ottawa of J. A. Lyons, Prime Minister of Australia, was the occasion of long discussions on the trade between the Dominions, in which Canada has so large an active balance.

THE RELIEF PROBLEM

Determined efforts to march on Ottawa made by the unemployed under instigation from the rebellious single men in the labor camps were harshly and effectively checked during July, partly by geography and the heat, partly by the police. Leaders of the marching groups were arrested. Scores were pulled off freight trains and put into jail. Others accepted transportation back to their homes or to the camps. Dominion authorities, it was clear, were determined to put a stop to the movement.

Provincial authorities in some cases quarreled with Ottawa over this policy, although during July several Provincial Prime Ministers felt sufficiently warranted by public opinion to strike single unemployed men from the relief rolls and even to confront heads of families with the alternative of helping with the harvest or going off relief. In Ontario the whole relief system was returned to the municipalities with assistance from the Province on a per capita basis. These moves caused widespread unrest, but apparently until the year's farming operations were over efforts would be made generally and rather arbitrarily to lighten the intolerable burden of unemployment relief.

Cardenas Triumphs in Mexico

By HUBERT HERRING

THE retirement of Plutarco Elias Calles from the centre of the Mexican stage in June was variously interpreted. It was said that Calles had beaten a strategic retreat, that he would shortly appear with reinforcements, that President Cardenas was too weak to hold the advantage, and that Mexico would shortly revert to her former submission to the veteran chief. Events in July, far from bearing out these prophecies, revealed a vigorous leadership on the part of the young President of Mexico, a bold attack upon outstanding political abuses yoked with a succession of politically sagacious strokes. For the first time since 1928 Mexico has a President who claims the right to rule. The recognition of this fact brought surprised delight.

President Cardenas, having thrown down the gauntlet to Calles in June, promptly took his case to the country. He traveled constantly in June and July, by train and on horseback, meeting with groups of agrarians and industrial workers, rallying them to the defense of his "New Deal," listening to their complaints against the working of the labor and the agrarian laws and promising swift correction of abuses. As a result, by the end of July President Cardenas possessed the backing of the nation's industrial and agricultural workers to a degree not matched since President Calles's leadership was at its height in 1925. President Cardenas insists that he takes his mandate from the workers.

July witnessed the outbreak of a struggle between State and Federal Governments. Mexican State Governments have been notoriously corrupt. Ostensibly State Governors are elected; actually, they have been placed in power by the National Revolutionary Party, that is to say, by Plutarco Elias Calles. The political revolution in June, with its displacements in the Federal offices, left the State Governments untouched. It soon became obvious that the real test of strength between the government of Lazaro Cardenas and the unrepentant followers of Calles would be over the State Governments. Rumors of revolt began to sound early in July.

The first place at which the lightning struck was the tropical State of Tabasco on the southern circle of the Gulf of Mexico. This was at once the most vulnerable of the Callista strongholds, and the most spectacular in its political implications. Tabasco has had a dictator for almost fifteen years, Tomas Garrido Canabal. Garrido has become a household name for terror and desolation. He waxed rich through his industrial and agricultural alliances; he banished the saloon so that his workers might produce more profits, and banished the church for reasons unexplained. He built up a neat little Fascist army of his own, the Red Shirts, which enforced his own peculiar code of morals and manners. He made life so dangerous for his political opponents that they were forced to settle elsewhere.

A closely knit colony of Tabascans settled in the national capital and con-

tinued their schemings to win back Tabasco to constitutional order. But Garrido was a devoted follower of Calles, and so long as Calles stayed in power, Garrido was untouchable. Calles forced Garrido upon Cardenas last December, and the dictator of Tabasco became Cardenas's Minister of Agriculture. The political overturn of June was almost as much anti-Garrido as it was anti-Calles. In July, with Garrido retired to his Tabascan haciendas, Tabasco became the finest test case of strength between the Cardenistas and the Callistas.

Good government morals and sagacious politics made this opera bouffe villain an excellent target. Labor hated Garrido, for he flaunted the labor provisions of the Constitution. The agricultural workers hated him, for he had never given more than lip service to the agrarian laws. Above all others, the loyal Catholics hated him. He had expelled all priests by the simple device of ordering them to marry. He had, during his stay in Mexico City, used his Red Shirts to attack priests and loyal Catholics. Garrido was the sacrificial goat furnished by a devout fate for President Cardenas's knife. By wielding that knife, Cardenas could dramatically prove his intention to be fair to industrial workers, peasants and Catholics.

Garrido played into the hands of the President without delay. On July 14 a delegation of twenty Tabascan students from the University of Mexico arrived by plane in Villahermosa, the capital of Tabasco, bent upon organizing political opposition to the power of Garrido. They were met by Garrido's Red Shirts, who opened machine gun fire. Three of the young men were killed, several were wounded. The news spread like wildfire. In Mexico City thousands of university students and their friends began to march. Stores were closed for the demonstration. In Guadalajara, Puebla and other strongholds of Catholic sentiment the streets were jammed with protesting crowds.

Cardenas, after a week's wait, moved against Garrido. He removed the Governor of Tabasco, Garrido's man, ordered the breaking up of the Red Shirts, supplanted the military commander in Tabasco and named a Provisional Governor for the State. All this was carried through with vigor and dispatch. Cardenas by the end of July had showed himself completely master of the most unruly region of his domain.

The month also saw the gathering of rival forces in at least four other States of Mexico—Tamaulipas, Queretaro, Sonora and Colima. In each case, as in Tabasco, it was a Calles-Cardenas issue. Back of the personal issue was the roused strength of the agrarian and labor forces which are striking out against what they deem to be the conservative tendencies of the Calles-dominated régimes. In Tamaulipas 20,000 peasants marched against the capital of the State demanding the Governor's resignation. In Queretaro the Governor of the State was accused of the murder of a political opponent, Enrique Rio, and the Federal Department of Justice instituted proceedings against him.

These movements in the several States had diverse patterns, but they shared the same political complexion. They were directed against Calles and the followers of Calles. They also shared the same economic shading. There is an increasing vocal determination to give substance to the "socialistic" platform of the Constitution. Beneath all, there is a stubborn determination to clean up the governmental service. The cynical will

discount this, but there is reality in it.

The tension between church and State was considerably relieved during July. To be sure, President Cardenas announced early in the month his firm intention to enforce the church laws, but the announcement was interpreted as an answer to critics of his administration. There was also a lifting of the censorship on attacks upon the government and the removal of the proscription against mailing such material. Early in the month a proclamation of amnesty was issued for those who have been forced to seek asylum outside the country because of their political or religious views. These actions are all straws in the wind, indicating a change in official temper.

President Cardenas, in the course of his travels through the State of Colima, received a delegation of Catholic women, heard their complaints against the working of the church laws in that State and followed it up by urging the Governor of the State to hold open hearings on the church issue. The actual concessions involved may not be great, but they represent a change of mood from the bellicose days of Calles. President Cardenas insists that all elements in the population must be given a fair hearing, and that represents substantial gain. Beyond all else, the tension over religious issues was immeasurably lessened by the firm attitude taken toward Garrido Canabal. Loyal Catholics believe that the government took advanced ground for decency in eliminating that arch-enemy of the church. By the end of July there was manifest in Mexico a much augmented faith that a way out of the impasse would soon be found.

The bitter political animosities engendered by the clash between Calles and Cardenas force the President to walk warily. He cannot deal as liberally as many who are close to him aver that he would. But there is apparent throughout Mexico, and especially in such strongholds of Catholic sentiment as Puebla and Guadalajara, a tendency to permit the restrictive ordinances to go by default. More priests than allowed by the letter of the law are functioning and quite openly. Loyal churchmen are breathing more easily.

President Cardenas has shown his puritan temper by closing the great gambling establishments, not only in the vicinity of the capital, but in the northern border resorts. On July 22 he issued an order which closed gaudy Agua Caliente as well as the meaner dives of Tia Juana. This was another direct thrust at the men close to Calles, especially ex-President Rodriguez, who had created Agua Caliente as an oasis for Americans. It has been asserted that several of the men close to Calles had been interested not only in these border resorts but also in the casinos of Mexico City and Cuernavaca, which were closed earlier in Cardenas's term of office. Not content to attack gambling, President Cardenas on Aug. 1 made a speech which is interpreted as opening a campaign for vigorous control of alcohol. The President is a conscientious foe of liquor of high alcoholic content, and it is expected that he will attempt to write his convictions into law.

THE CHACO PEACE CONFERENCE

Representatives of seven South American countries—Argentina, Bolivia, Brazil, Chile, Paraguay, Peru and Uruguay—and of the United States—opened the Chaco Peace Conference in Buenos Aires on June 30 and undertook their delicate task of giving substance to the protocol signed between Bolivia and Paraguay on June 12. The

atmosphere under which the conference opened and in which it continued stood in marked contrast to the strain and suspicion which marked the earlier negotiations. The protocol once signed, the will to peace developed rapidly. Genuine fraternal interchanges between the representatives of the warring powers became matter of fact. All seemed agreed that a resumption of hostilities was impossible.

The first act of the conference was to extend the truce between the two countries until such time as the rival armies are reduced to a maximum strength of 5,000 effectives. This act virtually constituted an end to the war which lasted three years and took a toll of more than 100,000 lives. The conference decreed that the truce should last until all the provisions for security under clause three of the protocol should be fulfilled: The demobilization of the two armies within ninety days; the reduction of armies to a maximum strength of 5,000; the proscription on the purchase of war materials for any larger army than was thus provided; and the definite and final abstention from further aggression.

While the negotiations were being carried on in Buenos Aires, the neutral military mission was already at work in the Chaco, destroying barbed-wire entanglements and trenches, demobilizing the rival armies, opening up roads connecting Santa Cruz and the Bolivian oil fields, and restoring farms in the contested area to evicted Bolivians. These highly delicate operations continued throughout July, and seem to have been conducted with the minimum of friction. By the end of July Paraguay had released 10,000 prisoners of war, waiving her legal right to hold such prisoners until the peace conference should have reached a final decision.

One of the large elements of uncertainty has been the political situation in Bolivia. Provisional President Tejada's mandate was scheduled to expire on Aug. 15, and on July 22 he intimated that it might be necessary to ask for an intermission in the peace negotiations until it became clear what would develop internally. The death of ex-President Daniel Salamanca helped to clear the air, as he was viewed as a possible contestant for power. On Aug. 2 the Bolivian Chamber of Deputies, after five days' debate, voted to extend President Tejada's term for one year. This served to quiet talk of any interruption in the Buenos Aires negotiations.

The Bolivian internal situation continues, however, to hold a threat to the peace negotiations, for it is questionable whether Tejada holds a sufficiently strong position to enable him to commit his country as issues arise and decisions must be made.

ARGENTINA'S JUMPY NERVES

The somewhat autocratic régime of President Augustin P. Justo had during July a bad attack of nerves. Two incidents brought this into high relief. On July 19 a decree put all newspaper correspondents and news agencies under heavy cash bonds, and provided for a strict control of all outgoing news by the Federal post-office authorities. Under the terms of this decree cash bonds ranging from 5,000 to 50,000 pesos must be deposited (the peso is currently worth about 26 cents); correspondents must keep a complete file of all dispatches for the inspection of the authorities, and the threat of disqualification is held over any correspondent who sends "news that is false or contrary to public morals or public order or tending to disturb public opinion or that discredits the country."

The decree was met with scorn by *La Nacion* and *La Prensa,* the two exceedingly able Buenos Aires dailies. The only newspaper support for the decree came from Fascist newspapers. Several foreign newspapers, including *The New York Times,* and one of the news agencies announced that they would move their offices to Montevideo if the decree were enforced. The Justo government seemed much surprised at the storm raised, and by Aug. 1 showed signs of repentance.

Another incident also revealed nervousness. On July 23, in the course of a debate in the Argentine Senate on proposed curbs on foreign meat packers, Senator Lisandro de la Torre made charges against Minister of Agriculture Duhau and Minister of Finance Pinedo. The Senator claimed the Justo administration was in league with the foreign packers to the detriment of Argentine producers and consumers. At this point shots were exchanged, one Senator was killed, and two, including the Minister of Agriculture, were wounded. The incident produced something of a political crisis with the resignation of the two Ministers, a highly dramatic and inconclusive duel and a storm of criticism of the government. It served to bring to the surface the widespread conviction that the Justo government serves the interests of the small landholding group.

OPTIMISM IN PERU

Peru on July 28 celebrated the 114th anniversary of her national independence. The reports from that country indicate that Peruvian business is enjoying good days. Peru has not suffered during the depression in the same degree as have countries with less diversification of products. She has held a secure market for her sugar and petroleum in Chile, and for her cotton in England. As the world's third producer of silver, she has profited from the American policy on that metal.

Both Great Britain and the United States have anxiously watched the inroads made by Japan on the textile business of Peru. President Benavides on July 13 issued a decree placing imports of cotton goods on a quota basis under which Great Britain is allowed 845,000 kilos, the United States 476,000 kilos and Japan 204,000 [the kilogram equals 2.204 pounds]. This is taken to represent the firm intention of the present Peruvian Goverment to cooperate more fully with Great Britain and the United States.

A further step in diversification is being considered as the result of recommendations made by an Italian commission. This commission, instigated by the Banco Italiano of Lima, has made a study of the potential wheat-producing areas in Peru, and recommends that Peru greatly extend its wheat fields.

The political situation remains complicated. President Benavides is a dictator of quite moderate turn of mind. His love of peace was revealed in favorable light in the Leticia settlement. He represents, however, the conservative business forces almost exclusively, and there are large elements increasingly restive under his rule. Peru remains thoroughly feudal in character. The land is owned in great blocks by a small fraction of the people, and the lot of the Indian proletariat is not happy. The Apra party unquestionably represents the sentiment of a great section of the population, but at present its chief leaders have been driven under ground by the repressive tactics of the Benavides government.

Britain's Conservatives Hold On

By RALPH THOMPSON

WHEN the British Parliament rose for the Summer holidays on Aug. 2 it was after a momentous session. Europe seemed charged with the sparks of war; conditions at home were far from serene. Action on the revised Unemployment Assistance Regulations had been postponed until Autumn, while other measures had been pushed through with lightning speed. Labor and its few Liberal colleagues, so overwhelmingly outnumbered by the government forces, had uttered only ineffectual protests at the way affairs were being handled. A motion of censure attempted in the Commons on July 9 had garnered but 76 votes to the government's 450—one of the most decisive defeats in the lifetime of the present Parliament.

The particular reason for the censure motion was the government's failure to produce "a considered plan to cope with unemployment and, in particular, its admitted failure to deal effectively with the problem of the distressed areas." Labor's spokesman, Arthur Greenwood, termed the undoubted improvement in trade illusory, since it was based on departure from the gold standard. He deplored the government's increasing economic nationalism. He pointed to the fact that 2,000,000 persons were still out of work and that the number dependent on Poor Relief had risen from 953,000 in September, 1931, to 1,620,000 in December, 1934. The government was "clinging to old ways in new times"; it had enriched the well-to-do but not the poor. It had squandered the taxpayers' money. It had "lamentably failed."

In reply, Prime Minister Baldwin admitted that he could not cure unemployment and said that he would "never stand on the platform with any one" who said it could be completely cured. Then he reviewed the government's achievement—the balanced budget, the protected home market, the recent trade agreements with foreign countries, and so on. Statistics bore him out; business activity had reached a new high in June (the *Economist's* index figure for that month was 113½, compared with a monthly average in 1929 of 112); the total amount of idle shipping on July 1 was 43.6 per cent below that on July 1, 1934; exports from the United Kingdom increased 9 per cent in the first half of 1935 compared with a year ago, and imports declined less than 1 per cent; the number of unemployed during July fell below 2,000,000 for the first time in five years.

Thus there was at least some basis for the overwhelming majority by which the Commons refused the censure, even if Labor was justified in protesting that much of the recovery had been due to temporary forces over which the government had had no control. But the first reports of the Commissioners for the Distressed (or "Special") Areas, made public on July 17, supported Labor's contention that these particularly hard-hit districts of the country had been grossly neglected.

The report for England and Wales,

which covers the blighted areas in Cumberland, Durham and South Wales, showed that conditions had become so frightful that complete reconstruction was necessary. The government was advised to buy whenever possible from firms located in these areas so as to keep alive what little industry there was left; a great proportion of the unemployed, it was felt, would in any case have to be transferred to other parts of the country or to the Dominions and placed on subsistence farms. All children under 16, the report continued, should be taken out of industry; a contributory pensions scheme, payable at 65, should be instituted; social services should be strengthened; shorter working hours, with a government subsidy if necessary, should be introduced; a full week's holiday with pay should be made compulsory. Furthermore, it was recommended that resident district commissioners be appointed to carry on the work of regeneration, which will take years and millions in money to complete.

Coming so soon after the government's complacent defense in the Commons, this report, together with that issued by the Commissioner for the Distressed Areas in Scotland, gave the Opposition fresh hope, and on July 24 Labor attempted another motion of censure. But the move collapsed without a vote. The government at the same time indicated that sooner or later it would introduce a complete bill to revive these so-called black spots.

There was a peculiarly timely element in the Special Areas reports, for the rehabilitation proposals they set forth were not altogether different from the national reconstruction scheme advocated by David Lloyd George and many months ago submitted to the Cabinet. The Cabinet had hemmed and hawed, however, and Mr. Lloyd George began to realize that his plan would not be accepted. So he asked permission of the Prime Minister to make it public before it was formally rejected, and on July 16 he issued a volume of about 100 pages entitled *Organizing Prosperity.*

On July 22 the Cabinet released a 16,000-word statement giving its reasons for rejecting the Lloyd Georgian New Deal in toto. Mr. Baldwin and his colleagues refused to believe that vast public expenditures would cure unemployment; they predicted that large-scale borrowing would lead to inflation and financial disaster. The ex-Prime Minister's agricultural proposals, furthermore, would upset the Ottawa agreements, increase domestic prices by excluding food imports from the Dominions and other overseas countries, reduce the export trade and increase unemployment. The old-age pension scheme of $2.50 a week for all persons over 60 would cost far more than it was worth. "Disappointing," "hazardous," "uncertain," "unacceptable"—these were the adjectives applied.

Mr. Lloyd George was not daunted. His book had given the public what he considered to be sound proposals, and with that as a text he immediately began a campaign which will figure large in the forthcoming general election. The reforms he suggested were felt by many observers to be necessary and efficient; expansionism had worked in other countries and might work in Great Britain.

Yet the Baldwin government was not altogether old-fashioned; before Parliament adjourned it had supported measures redolent of the NRA and Franklin Roosevelt's New Deal—if not Mr. Lloyd George's. On July 1 there came into operation in Lanca-

shire a scheme which established a central selling agency to dispose of all coal mined in the county. On July 15 the Lancashire cotton manufacturing industry introduced a wage-scale for weavers which had behind it the force of law and made it a penal offense to offer employment on terms inferior to those agreed upon.

In each scheme the initiative came from the industry concerned. By marketing coal on a cooperative basis the mine owners hoped to economize as well as to maintain fair wages. The minimum-wage provisions for cotton weavers were intended to protect mill owners as well as workers against the woes of price-cutting and wage-cutting. The Spindle-Scrapping Bill, based upon the recommendations of the Colwyn Committee, authorized a loan of some $10,000,000 by which 10,000,000 of the approximately 50,000,000 spindles now in operation could be bought up. Manufacturers would repay the loan over a period of years by means of a levy on spindles remaining in operation.

On matters of foreign policy and armament, however, the Opposition—did it speak in the person of Mr. Lloyd George, Sir Herbert Samuel or George Lansbury—had the government in a tight place. If one or another of the Opposition factions approved the naval agreement with Germany, only the most supine of critics could overlook what was termed the government's "piano note" as far as affairs in Ethiopia were concerned. Was the government condoning treaty-breaking, conniving at imperialism, shirking its responsibilities under a half-dozen peace pacts?

And was it true that, in proposing new measures for defense against air attack and in enlarging the British air force, the government was creating a "disastrous general spirit of panic and war-mindedness"? This much was asserted by the Labor party in a manifesto published on July 19, three days after Sir Philip Cunliffe-Lister, Air Minister, had asked for $25,000,000 more than the original estimate of $100,000,000 as a first instalment of the sum needed to protect Britain in the skies. Only forty-four votes could be obtained to back the Labor protest, however, and on July 22 the supplementary expenditure was approved by the Commons. Shortly before, within the space of two weeks, King George had reviewed the three branches of Britain's armed might—the Air Force at Duxford, the Army at Aldershot, ten miles of warships off the green shores of Spithead. If this was not the "mentality of 1914," it was something not very different.

BRITISH MEAT POLICY

When representatives of the British Dominions arrived in London several months ago, they came not only to join in the King's jubilee celebrations but also to discuss several matters of imperial concern. One of these involved imports of meat into the United Kingdom from Australia and New Zealand. On July 15 Walter Elliott, Minister for Agriculture, announced in the House of Commons that a temporary agreement had been reached, one which would protect the home industry without handicapping the meat-producing Dominions.

Mr. Elliott further announced that a levy will be imposed as soon as possible upon all imported meat, with a preferential rate on supplies from Australia and New Zealand. This levy will probably not be applied until November, 1936, when the Anglo-Argentine trade agreement, in which Britain promised to place no tariffs on meat,

will have expired; the Argentine has shown no inclination to forego its rights under the treaty any sooner than necessary. In the interval, in order to maintain reasonable prices at home and to guarantee the domestic producer a living, the Dominions have agreed to limit their exports of mutton and lamb to fixed amounts during the next eighteen months, and to accept a scale of shipments on pork, beef and veal up to the end of 1935. In addition, the Exchequer has been authorized to extend the present subsidy to British beef producers until Oct. 31, 1936.

Opinion in both Melbourne and Wellington was generally favorable to Mr. Elliott's announcement, and Dominion producers felt that prospects for the future were distinctly better than they had been. How far the new policy will alienate the Argentine, which in recent years has become an increasingly important market for British goods, remains to be seen.

RIOTS IN IRELAND

July 12 is a great Protestant holiday, the anniversary of the Battle of the Boyne, in which William of Orange defeated the Catholic army of James II. Its celebration in Northern Ireland, where Protestants and the Catholic minority have long been at one another's throats, more or less regularly leads to trouble. But this year the trouble assumed serious proportions. Parties of Orangemen returning home from their festivities were stoned in the streets of Belfast and rival mobs quickly assembled. Then gunmen began to fire upon the scene from neighboring housetops.

The result was that the Catholic districts of Belfast, despite the efforts of police and troops, were terrorized for nearly a week. Hundreds of windows were smashed; household effects were dragged into the streets and destroyed; scores of houses were pillaged and burned. When general quiet was restored on July 19, eight persons had been killed—seven Protestants and one Catholic—and over 1,600 Catholics had been made homeless.

Throughout the trouble the preponderantly Catholic Irish Free State maintained an admirable calm. Only on July 20 and 21 did retaliatory outbreaks take place. Then a few Protestant buildings in Limerick and County Monaghan were attacked, without loss of life.

While the governments in both Ulster and the Free State hastened to condemn the rioters and their mob spirit, the governments themselves were indirectly responsible for the catastrophe. The continuing political difference between the two parts of Ireland has stirred up such bitter partisanship that it is surprising that there are not more frequent fatalities. The persistent Anglo-Irish quarrel, moreover, only adds to the antagonism between North and South, exactly as that between North and South intensifies the Anglo-Irish quarrel.

A statement made in the House of Commons on July 10 was intended to show how the present British Government views the Free State question. But it salved no wounds. J. H. Thomas, Dominions Secretary, explained once more that Great Britain was willing to submit the annuities problem to arbitration, provided that the judges be citizens of the British Commonwealth. Mr. De Valera, however, has time and again insisted on at least one judge from a foreign country, so nothing has been gained. Regarding Mr. De Valera's recent request for a clarification of Britain's attitude to-

ward an Irish republic, Mr. Thomas refused to answer the "hypothetical question." He did say, though, that his government would take every possible step to prevent Southern Ireland from leaving the Commonwealth.

Thus, despite recent encouraging signs, relations between Dublin and London remain hostile. Mr. De Valera has not yet given out a clear-cut and unequivocal statement of what he wants and what he intends to do. Great Britain is not willing to sign a blank check and to discuss terms afterward. Nor has the Free State leader succeeded in settling his domestic troubles. On July 12 there was a violent conflict in County Cork between police and women sympathetic to those farmers who will not pay their land annuities. Eight women were arrested.

THE INDIA BILL

On Aug. 2 the long-debated Government of India Bill received the royal assent after amendments made by the House of Lords had been accepted by the Commons. Thus this momentous measure became law. The chief alteration by the Lords provides that British Indian members of the Council of State shall be elected directly, instead of indirectly; that is, the upper chamber of the future Federal Parliament of India will consist of a majority chosen by an electorate instead of by the Provincial upper chambers or (in Provinces where there is to be but one chamber) by specially constituted electoral colleges. The Federal lower house will still be chosen indirectly.

In India itself this amendment was widely welcomed, but a hostile sentiment toward the whole new Constitution remains. It is by no means certain that the principal nationalist parties will abandon their threat to boycott it. It is coming to be seen in most quarters, however, that the reforms can be more effectively obstructed from within the Legislatures than from without, and that refusal to contest elections would endanger the existence of the nationalist groups.

The task of administering and inaugurating the new federal system of India will be in the hands of the Marquess of Linlithgow, who on Aug. 6 was appointed Viceroy of India. The new Viceroy—he is only 47 years old—has been chairman of the Parliamentary Joint Committee, which spent almost two years in producing the recently enacted India Bill. As chairman of the Royal Commission on Agriculture in India, he spent considerable time in the land over which he now will rule. The London *Times* in commenting on the appointment said that the Marquess was "the ideal choice for the position to which the whole of his experience has almost inevitably brought him."

Those who insist that Britain must for the sake of law and order still keep a firm grasp upon India (and this the Government of India Bill assures) were given during recent weeks an opportunity to say, "I told you so!" When early in July an ancient building attached to a Sikh shrine in Lahore was about to be demolished, a large crowd of Moslems, who claimed that the building had at one time been a mosque, assembled to prevent the work. So threatening did the demonstration become that police and troops were called. For days nothing extraordinary happened. Then on July 20, trouble broke loose, and at least ten persons were killed when a Royal Scots regiment was forced to fire into the Moslem mob. More than 1,200 were arrested.

France Tackles Her Deficit

By FRANCIS BROWN

"THE government has taken grave decisions. * * * We had reached the point where it was necessary to act audaciously and promptly." So declared Premier Pierre Laval in a broadcast to the people of France on July 17 in which he defended the twenty-nine emergency decrees promulgated to balance the budget and save the franc.

When the Laval Cabinet came into office in early June it demanded and received extraordinary powers for correcting the nation's economic difficulties. But as any steps which the government might take in the direction of economy would be certain to arouse widespread opposition, nothing was done so long as Parliament was sitting. Parliament adjourned on June 28; France waited. That action, and drastic action, would follow there was little doubt, but the exact nature of the blow was not disclosed until July 17, when the Cabinet, after a session lasting many hours, made public its economy decrees.

These could be grouped in three divisions. The first reduced all government salaries and pensions over 10,000 francs by 10 per cent, and cut, also by 10 per cent, the coupons on government securities. The second concerned taxation. Higher income taxes were decreed; taxes on munitions manufacture were increased, as were taxes on securities. Finally, attempts were made to lower the cost of living. Bread was reduced 10 centimes a kilogram (.3 of a cent per pound), gas and electricity rates were cut 5 per cent, and annual rents below 10,000 francs 10 per cent. The saving effected by this series of decrees was estimated at 7,063,000,000 francs, which, when added to the economies in railroad operation and local expenditures, would practically wipe out the 11,000,000,000-franc deficit.

The decrees, more far-reaching than anticipated, had a mixed reception. Business men, though still opposed to devaluation, wondered if the economies would keep the franc on gold. The *Agence Economique et Financière* said: "What is immediately necessary is a policy of cheaper money and credit to revive economic activity. It is also urgent that we adopt a more liberal commercial policy." Banking circles hailed the Cabinet's action, the Bourse lifted, and the Bank of France lowered the discount rate from 4 per cent to 3½. But among some economists there was speculation as to what effect the decrees would exert on revenue. Might they not reduce it so much as to throw the budget again out of balance?

While conservatives generally praised Premier Laval for his courage in inaugurating an unpopular policy, protests against the decrees began to take form. The Civil Servants Union called a mass demonstration in Paris, an action which had the support of other groups upon whom the salary reductions fell hardest. In the evening of July 19 about 12,000 demonstrators tried to gather in the Place de l'Opéra, but were barred from it by contingents of the Mobile Guard. Only minor

disorders occurred, although more than 1,000 arrests were made.

Other interested groups met to decide upon what course to follow. The Left, especially the Socialists and Communists, denounced the economy decrees without reserve, while the railway workers decided to open a propaganda campaign against what M. Laval had done. Meanwhile in many minds there began to be doubts. Did not the decrees reduce purchasing power and so insure a further curtailment of business? Was not the interest cut on government bonds a tacit admission of bankruptcy?

But the real question, of course, was whether the government's policy would restore French prosperity. If the decrees succeeded in driving down costs of production and the cost of living to a point where France could once more have its share of world trade, then M. Laval and his Ministry would not be without honor.

To some extent the government is racing against time, for economists anticipate a general rise of world prices which should narrow the disparity between the cost of French goods and those of other nations. If the rise of world prices is not too long delayed, M. Laval may win, even though major reforms in French finance and business are long overdue. But the time in which M. Laval has to work is short. Parliament will reassemble in the Autumn, and unless the Premier can gain approval for his economy measures he is certain to be overthrown. The undoubted discontent and unrest throughout the country do not make the Premier's task any easier.

Unrest, of course, has been simmering for a good while, breaking forth in minor disturbances at widely separated parts of France. July, on the whole, was quiet, although plans for rival demonstrations in Paris on Bastile Day caused uneasiness until it was realized that the government had taken precautions against any possible rioting. So the day passed. Around the Arc de Triomphe was held one of the greatest military reviews since the war. At least 200,000 liberals and radicals marched past the site of the Bastile in a tremendous outpouring in the cause of liberty. Then there were the thousands of Fascist members of the Croix de Feu who marched down the Champs Elysées behind Colonel de la Rocque. Similar demonstrations occurred throughout the country, but when the day was over only insignificant clashes were recorded.

Events, however, tend to strengthen the liberals and radicals. The successive mass meetings of the Croix de Feu have made the threat of fascism seem real, bringing together all types of liberal sentiment in a common front. The Laval decrees have also solidified the elements on the Left, for the labor unions are as one in their opposition to the Ministry's deflationary policy. All this lay behind several brawls and shooting affrays which disturbed France early in August.

There were other events which could not be overlooked. The Teachers' Union, after a three days' meeting, adopted a radical program calling for nationalization of the banks and key industries. This program was supported by various liberal groups and had the sympathy of the General Federation of Labor.

Serious rioting broke out at Toulon on Aug. 5, where heavy property damage occurred and several people were injured before the police restored order. At Brest the following day a riot forced the closing of the naval

arsenal after one worker had been killed and several workers and guards had been injured. Meanwhile at Havre engineers of the French Line refused to accept 10 per cent pay cuts, and on Aug. 6 the crew of the Champlain went on strike because of the cut in their wages. Even more serious disturbances occurred at Toulon on Aug. 8 when renewed rioting caused the death of several persons and the wounding of many others. By the next day relative calm had returned, while the French Line reached an agreement with its crews that permitted the sailing of its ships.

In the face of these troubles the government pushed ahead with its program. Additional decrees affecting the cost of living and working conditions were being prepared by the Ministers. The fight to reduce unemployment also was continued.

BELGIUM LOOKS TO RECOVERY

Belgian politics have for months been dominated by economic conditions. The financial crisis of last March gave rise to the van Zeeland government, which ever since has been seeking to alleviate the national economic distress. Armed with extraordinary powers, the Cabinet had the Summer to work out its recovery program, for on June 20 Parliament adjourned until Autumn.

Unemployment, as Minister of Finance Gerard told the Senate at the end of its session, remains the most trying of all Belgian problems. There has been some improvement—exactly how much is difficult to determine. Seasonal factors have affected the total, and the revival of the textile and furniture industries has to a limited extent provided jobs. Certain definite measures have been taken by the government. The age for leaving school has been raised from 14 to 16 years for children who are now without work; a $35,000,000 public works program, which includes the building of cheap houses, has been announced and, according to prophecies by the Ministry, will cut the unemployment rolls by at least 20 per cent.

A decree establishing government regulation of the banking system was approved by the Ministry on July 5 and published a few days later. The law set up a banking commission, whose duty it will be to supervise all banks, examine their accounts, fix interest rates, safeguard banking investments, and so on. The law also forbids bankers from sitting on the directorates of industrial corporations and from holding office in such enterprises.

Belgian finances have apparently improved since the belga was devalued in the Spring. Though the 1935 budget will show an estimated deficit of 451,000,000 francs, Premier van Zeeland has promised that the 1936 budget will be in balance. Among the various steps which he is taking toward that end is the conversion of Belgium's foreign loans; negotiations on this subject have been under way for some time with the Netherlands. Public opinion during July and early August became more optimistic as business reports showed definite upward trends. Quotations on the Bourse rose. Exports, both in volume and in value, were a third greater in the second than in the first quarter. Coal exports in June were valued at 175,000,000 francs, compared with 128,000,000 in March, while textiles rose from 125,000,000 to 150,000,000 francs. With statistics like these to support him, Premier van Zeeland felt justified on July 21 in declaring that Belgium was on the road to recovery.

Germany's Religious Conflict

By SIDNEY B. FAY

REPORTS from Germany during July were most disturbing. Attacks upon Catholics and the Catholic Church seemed the regular order of the day, while anti-Semitism gave evidence once again in the form of new outbreaks. Observers in Berlin told of an atmosphere of fear and suspense which forecast no one knew what. Behind all this were rumors of divisions within the Nazi party, of desperate economic conditions, of popular discontent.

Twenty Roman Catholic editors who had been suspended early in June for urging a dispassionate judgment of nuns and monks charged with violation of the foreign exchange laws were reinstated on July 3. But this conciliatory action was only the preliminary to sharper measures by the National Socialists against the Roman Catholics.

Alfred Rosenberg, cultural director of the Nazi party, speaking at Muenster on July 6, bitterly attacked the Catholic Bishop of Muenster because of a pastoral letter in which the Bishop had said that "Christian citizens of Muenster would regard the public appearance of Rosenberg as a provocation and a mockery of their most serious religious convictions." Rosenberg declared that this was tantamount to an attempt to arouse the Catholics against the government.

Dr. Frick, the Minister of the Interior, speaking from the same platform the next day, officially reiterated Rosenberg's statements. As spokesman of the Reich Government, he insisted that, according to the Concordat of 1933, Catholics were bound to consider as binding on them all Reich laws such as the sterilization and foreign exchange regulations. He declared that confessional organizations would not be allowed to criticize or oppose government measures or introduce disunity into the body of the united German people. He added: "Is there any purpose in having Catholic newspapers? Is there any purpose in a Catholic civil servants' league? I must say that Catholic occupational organizations, such as apprentice societies and also the confessional youth organizations, do not fit into our times and that they are often active in fields which the Nazi State must reserve to itself." Three days later he issued a decree providing for the prosecution, under the law governing "malicious and treacherous attacks on the State," of any one opposing enforcement of the sterilization laws.

Finally, Herr Himmler, the Reich leader of the S. S. (or special Nazi Guards), issued on July 26, in his capacity as head of the Secret Police, an ordinance further restraining the activities of all confessional organizations. By this order every activity that is not purely religious in character was forbidden. Himmler's ordinance was intended to codify the numerous local bans and prohibitions which have been issued against alleged Catholic political activities. It was regarded as a retort to the Papal Nuncio's recent sharp protest against Nazi infringements of the Concordat.

The Provisional Church Administration of the Protestant Opposition Pastors protested at the end of July against the law of a month earlier giving the Minister of the Interior the final authority to decide all legal disputes arising out of the conflict within the Evangelical Church. While welcoming in principle the State's intention to give legal assistance in settling the church conflict, the Protestant pastors insisted that there should be no impairment of the church's right to judge its own legal affairs upon purely ecclesiastical considerations. Otherwise the new Nazi law would contradict the German Evangelical Church Constitution of July, 1933, and virtually mean a transition from an independent to a State church.

They also pointed out that the new law had delighted the "German Christians" and the official church régime of Reichsbishop Mueller, because the latter had lost all the lawsuits hitherto decided by the regular law courts and saw their salvation in the new authority given to Dr. Frick, the Minister of the Interior. By a decree of July 19 Chancellor Hitler transferred the regulation of all Evangelical Church matters from the overburdened Minister of the Interior to Dr. Hans Kerrl as Reichsminister without portfolio.

A violent anti-Semitic outbreak took place on the evening of July 15 in Berlin's fashionable Kurfuerstendamm district. A band of some 200 Nazi rowdies, evidently by prearrangement, entered the cafés and restaurants, driving out all Jewish guests and beating them in the streets. An official statement alleged that the trouble arose when Jews hissed a film being presented in a Berlin theatre. Probably the attack was also caused by the recent efforts of Julius Streicher to extend his violent anti-Semitic methods to the capital, and by the frequent Jew-baiting articles which appear in Dr. Goebbels's Berlin newspaper, *Der Angriff.*

As a result of the bad impression caused abroad by this anti-Jewish attack, a new Police President, Count Helldorf, was appointed for Berlin. He also has the reputation of being an anti-Semite, but he at once issued a manifesto forbidding individual actions against Jews on pain of disciplinary measures. He ascribed the blame for the Kurfuerstendamm outrages to agents provocateurs who angered Nazis into taking part in anti-Jewish demonstrations. General Goering was on a holiday, but the hint to apply the brake probably came from him, for he is no racial fanatic.

During July several local Stahlhelm organizations were dissolved—in Thuringia, Mecklenburg, East Prussia and elsewhere. These war veterans' societies were forbidden to wear their uniforms and insignia; their property was confiscated, and some of their members were placed under "protective arrest." It was alleged that they were "reactionary" in their attitude and that in some cases they had secret supplies of arms. By early August it was apparent that the once powerful Steel Helmets would soon be absorbed in the totalitarian State.

GERMAN ECONOMIC CONDITIONS

There was little change during July in Germany's economic condition. Dr. Schacht's new scheme for promoting exports was in operation, but it was too soon to know how successfully it would work. This scheme provides for raising some 700,000,000 marks for subsidizing exports by means of a 2 to 3 per cent levy on the sales of large industries producing for the home

market as well as on public utilities. The forced levy on the domestic consumer is to provide subsidies to aid German exports which compete with goods produced in countries with devalued currencies. A subsidy tends to offset Germany's disadvantage from not having cut the value of her own currency.

According to the official index on crop conditions, the outlook for Germany's grain production for 1935 is decidedly favorable as compared with 1934. Provisional estimates place the wheat yield at 4,830,000 metric tons, as against 4,670,000 in 1934; rye, 8,130,000, as against 7,610,000; barley, 3,410,000, as against 3,200,000, and oats, 5,500,000, as against 5,450,000.

AUSTRIA AND THE HABSBURGS

The Austrian Federal Chamber approved on July 10 a bill removing all restrictions against the House of Habsburg. The new law rescinds that of April, 1919, which declared that such members of the former ruling house as refused to give up their claims to the throne and make satisfactory assurances of their readiness to become good citizens of the republic must leave Austria "in the interest of the republic's security." Some of the Archdukes gave the necessary assurance and remained in their native country, but the Empress Zita and her son Otto, now 22 years old and the heir to the throne, refused and went into exile.

The new law also provides for the restoration of the confiscated Habsburg family property, with certain exceptions. The Hofburg and Schoenbrunn are not to be restored, nor the art treasures, all of which are regarded as public property. Bonds and other investments are restored, although they have lost most of their value owing to the inflation and other post-war economic disturbances. But Otto and his family will be given back all their country castles and estates amounting to some 62,000 acres and producing a tidy revenue, though not nearly as large as before the war. The revenue from these has hitherto been devoted to the War Veterans' Fund. It is expected that the government will also give the Habsburgs a lump sum of 10,000,000 schillings as a compensation for property which is not to be returned. [The schilling is currently quoted at about 19 cents.]

The removal of the restrictions on the Habsburgs does not mean, however, the family's immediate return to Vienna nor an immediate revival of the Monarchy. This was emphasized by all Austrian officials who made public comments. Walter Adam, the Minister of Propaganda, declared on July 4 that the action was merely a long-delayed "correction of an injustice with which no political by-play is connected. The question of restoration [of the Monarchy] is not immediate. Returning the property is of little importance politically. The loss of revenue to the War Veterans will be made up by the Social Ministry." And Foreign Minister Berger-Waldenegg declared that no international complications would grow out of the Cabinet's new action, since interested nations had been previously informed and had given their approval, and nothing would be done to imperil the peace of Europe.

Nevertheless, the press and some of the Ministers of the Succession States were alarmed, and declared that a Habsburg restoration would not be tolerated. M. Titulescu, Foreign Minister of Rumania, declared that if the dynasty which once ruled parts of Rumania, Yugoslavia and Czecho-

slovakia, was restored, the Little Entente countries would mobilize their armies. Prime Minister Stoyadinovitch of Yugoslavia, equally oblivious of Austria's right of self-determination, was loudly cheered when he declared in the Yugoslav Senate on July 27 that the question had evoked justifiable emotion in Yugoslavia. The Little Entente countries naturally fear that the restored Habsburgs might begin a movement for a revision of some of the territorial boundaries of 1919, or at least would seek political domination in the Danube Valley, with a consequent diminution of prestige on the part of the other States in Southeastern Europe.

The Austrian Cabinet's action was probably motivated by a desire to strengthen itself with the Monarchists and Catholics and to defend itself against Socialists and Nazis by preparing the way for a possible Habsburg restoration. A Habsburg Emperor might be regarded as a safeguard against intrigues by Hitler's supporters, and as such one might expect him to be viewed with favor instead of alarm by the Little Entente. On the other hand, Hitler is Austrian born, and it is barely conceivable that, if the union of Germany and Austria could be achieved in no other manner, he might see fit to bring it about by making an Austrian Emperor the figure-head ruler of Germany.

THE DUTCH GOLD CRISIS

The Netherlands at the end of July experienced a political and financial crisis. On July 26 Premier Hendryk Colijn tendered the resignation of his Cabinet to Queen Wilhelmina when Parliament refused to support the government's deflationary program. Growing pressure from those who favor devaluation of the guilder and a loss of public confidence in the currency produced what for a time threatened to be a major crisis. (At par the guilder is worth 68.5 cents.) Even before the Cabinet fell the Bank of the Netherlands moved to defend the guilder by raising the discount rate from 3 to 5 per cent and then to 6 per cent.

The Cabinet crisis did not come as a surprise. For several weeks the country had been losing gold, first as a result of speculation against the guilder and then as a result of a flight of capital. Dr. Colijn's Cabinet was dependent for its majority on the support of the Roman Catholic party, which has 28 seats out of the 100 in the Chamber. This support was finally withdrawn, although the party is represented by three Ministers in the coalition Cabinet which was formed two years ago under Dr. Colijn's leadership.

His policy of vigorous retrenchment "to save the guilder" was of necessity carried to such lengths that the Catholic party became more and more uneasy in the early Summer, especially as there seemed no visible end to the process of deflation and the guilder seemed no safer than before in spite of the sacrifices made. Finally, when Dr. Colijn introduced two new deflationary measures—one imposing further cuts in salaries and wages and another reducing interest rates on loans and mortgages—the Catholics refused to go along. The left wing of the Catholic party, which competes with the Socialists for the vote of Catholic workingmen, could not support the first; and the second, involving a dislocation of existing contracts, was criticized in all quarters. Thus Dr. Colijn could do nothing but resign and let the Queen send for Professor Aalberse, Catholic party leader.

The Netherlands holds a central, almost a pivotal, position in the gold

bloc. Though a small country she is rich, and is at the crossroads on the Continent for the movement of trade and finance. The record of the Netherlands is remarkable. Unlike France and Belgium, she has never devalued; unlike Italy and Germany, she has not been reduced to defending her currency by withdrawing it from the world's free market behind a wall of trade-destroying restrictions. The Dutch banking system is sound and possesses ample resources in gold and foreign securities, despite the loss of more than $80,000,000 in a week. Technically the position of the guilder should be strong. Its weakness, due to economic, political and psychological causes, was pronounced last April when all the gold currencies seemed jeopardized by the Belgian decision to devalue and to substitute a policy of expansion for the previous policy of deflation. But the crisis was surmounted, and the bank rate, which had had to be raised, was again lowered to 3 per cent. The Netherlanders are a stubborn race, and Dr. Colijn is inspired by an almost religious faith in the gold standard, regarding the maintenance of the guilder at the old parity as a matter not merely of expediency but also of conscience.

When Professor Aalberse, after four days' effort failed to form a new Cabinet, the Queen again asked Dr. Colijn to take up his old task. News of this caused a jump in the guilder. That the crisis had been weathered, at least for the moment, a lowering of the discount rate on Aug. 4 demonstrated.

The Strain on Italian Finance

By WILLIAM E. LINGELBACH

LIFE in Italy during July was surcharged with the emotions stirred by the impending war against Ethiopia, the resentment at British and Japanese policies, doubts and defiance over the attitude of the Council of the League and a significant though less advertised undercurrent of worry over economic and financial matters.

Forced by the desperate situation of the nation's falling credit, the government in an official decree on July 22 announced the suspension of the Gold Law of 1927 requiring the maintenance of a 40 per cent gold reserve as a protection to the lira. Official circles claim that this does not mean inflation, or even a devaluation of the lira. On the other hand, they acknowledge that immediate payment of nearly 500,000,000 lire had to be made on accounts long overdue in order to maintain Italian credit abroad.

Italy was obliged to draw heavily upon her gold reserve in 1934 to make up the adverse trade balance. During the current year the increasingly heavy purchases for the needs of the military expedition against Ethiopia have made further serious inroads on the nation's foreign credit. To meet this, foreign securities owned by Italian nationals were mobilized, the government taking over the foreign credit in exchange for lire. This modest back-log, if reports are correct, has been largely consumed during the past months, and the only available resource at the moment is therefore the gold reserve heretofore guarded

with such jealous care by Mussolini.

In June, 1934, the Bank of Italy had a total of approximately 6,838,500,000 lire in gold at home, 1,772,800,000 in gold abroad, and 40,100,000 in foreign exchange. At the same time this year the total had shrunk to 7,656,900,000, while the paper circulation had increased by 498,500,000 lire, bringing the gold coverage down to 41.9, or within 1.9 of the legal minimum. Threatened impingement on the legal reserve is therefore not immediately dangerous, but viewed in the light of the trend of Italian finance it has ominous possibilities. The heavy purchases of military supplies abroad, coupled with the already unfavorable trade balance, are forcing business men to ask whether the African venture, from the financial and economic point of view, is not ultimately a piece of madness.

Impressed with this and with the unsound position of Italy's finances, foreign financial circles, notably in London, are reported to have turned a deaf ear to overtures for an Italian loan. British pig iron producers, confronted with the fact that February shipments remained unpaid after six months, refused to make deliveries save for cash. Welsh and continental coal companies found themselves in a similar position, and, with American, British and other foreign oil and timber concerns, took like action. It was announced in Washington on Aug. 8 that because of "generally unsettled" conditions the Export-Import Bank would not extend credit to American exporters for cotton shipments to Italy.

The threatened collapse of Italian credit therefore called for drastic action. Hence the inroad on the gold reserve to pay the arrears and to ease once more the foreign credit situation. Yet use of the reserves to meet current war outlays is dangerous and can be only a stop-gap. No country, least of all Italy, can long continue on such a basis. In the meantime the government is tightening still further its control over imports. Late in July a State monopoly was decreed for imports of coal, copper, tin and nickel, while ten Fascist trade organizations were set up to issue new regulations for the import and distribution of raw materials. Silver coinage in circulation amounting to 1,635,749,000 lire has been called in to serve as a reserve for paper treasury notes being issued.

Banking circles are especially worried over the outlook for the future. Because of the heavy outlays on public works, social welfare and so forth, the national debt has increased steadily since the advent of the Fascist régime. The budget, even without the heavy charges for the African expedition, continues unbalanced; the unfavorable trade balance is chronic; and the extraordinary expenses of the Ethiopian venture are mounting at an alarming rate. Conservative estimates late in July placed the cost to date at over 1,000,000,000 lire, or nearly $85,000,000. That this is very low is evidenced by the fact that official statistics released by the Suez Canal authorities placed the tolls during the last three months for Italian war tonnage alone at approximately $10,000,000. What the total cost of the war will be to Italian finance is undetermined. War expenses cannot be adequately budgeted. In a last analysis they will, of course, depend upon the duration of the struggle, but even with a short and decisive campaign they will necessarily mount into billions of lire. Moreover, it is well known that even the most promising colonial ventures have always in-

volved deficits for many years, and Ethiopia is not likely to prove an exception.

According to official figures made public on Aug. 7, more than 240,000 troops and laborers passed through the Suez Canal to East Africa in the previous six months. Others are on the way, more are ready to embark, and, on Aug. 6, the Duce ordered the mobilization of an additional 30,000 men for service in Ethiopia. Every available vessel at Alexandria and other ports is being chartered for transport service, while outright purchases of half a dozen steamers were made in Europe during the month. The armed force available for the drive on Addis Ababa, the capital of Ethiopia, when the rainy season ends in September, will be irresistible, not only in numbers but in equipment.

In the meantime the annual military manoeuvres for July and August were in full swing, involving altogether nineteen divisions — between 500,000 and 600,000 men. They were being staged in the Brenner area with a view, so said the Duce's journal, the *Popolo d'Italia,* to show the world that they have "concrete objectives and scope * * * that Italy, despite the African situation, is present and powerful in Europe."

But neither the financial nor the military aspects of the Ethiopian question occupied the press and Italian public opinion during the month to the same extent as did the international complications which arose out of the Italo-Ethiopian dispute. (See Professor Nevins's article on page 577.) Throughout the controversy the threat of interference by the League of Nations has angered the Duce and the Fascist press, and since Great Britain has been the principal advocate of League action, the full force of Italian resentment was turned against her. As in the previous month, press attacks were bitterly hostile, cynical and defiant, paralleled only by an equally virulent attack upon the Japanese. The determination that Italy will accept no dictation, especially not from Great Britain, appears in most of her journals. Rather she would profit by her example.

CONSERVATIVE RULE IN SPAIN

Spanish politics during July was marked by a further strengthening and consolidation of the coalition government under Premier Lerroux with the support of Gil Robles, the new Minister of War and leader of Catholic Popular Action. On the one hand, the breach between Lerroux's Conservative Republicans (Radicals) and the parties of the Left has widened considerably; while on the other, Gil Robles and his followers have definitely broken with the Monarchists of the Right. As a political move in anticipation of the elections, this is of considerable strategic importance. Furthermore, it seems to be in fairly close accord with the trend of public opinion, notwithstanding continued disturbances in Barcelona and the surrounding province, where a state of siege was again proclaimed early in July.

Lawlessness has been increasing steadily in Barcelona and other industrial centres of Catalonia. The police, either because of sympathy with the terrorists or because of impotence, failed utterly to cope with the situation. To deal with the growing menace, the Madrid government intervened, proclaimed a state of war and sent in troops to see to its enforcement, "cost what it may." All public meetings were forbidden. Acts of violence against persons and property were

summarily handled, and disobedience or disrespect toward the authorities dealt with under military law. The national troops took command of the city and cavalry patrolled the streets. On July 4 the "state of prevention" for the nation as a whole was prolonged for another month, against the strong protest of the Left.

The ban on political meetings and propaganda imposed early in June has been lifted, resulting in a great deal of political activity, especially on the part of Catholic Popular Action. Monster mass meetings were held at Medina del Campo in Castile and at Valencia.

Gil Robles spoke at both meetings and took occasion to refute the charge that in his army reorganization he was preparing the way for a military dictatorship. "If I were planning a dictatorship," he said, "I would not need an army. The size of this meeting and many others shows clearly how strong is the popular support behind me. I have no personal ambitions of any kind. My only thought is for the welfare of the republic. Reorganization of the army is intended solely as a safeguard for the republic against its enemies."

The revision of the Constitution, to which the government parties pledged themselves in the election campaign last year, occupied much of the time of the government during July. The draft of the amendments as prepared by the Cabinet was laid before the Cortes preparatory to its consideration when that body reassembles after the Summer recess. It proposes to revise 42 of the 125 articles of the Constitution adopted on Dec. 9, 1931.

The preamble of the draft claims that this is the first time in the political history of Spain that constitutional reform is being undertaken by peaceful methods in accordance with the provisions prescribed in the Constitution itself. It argues further that in the first flush of republican success and revolutionary ardor the framers of the Constitution of 1931 went beyond the wishes of the people in matters relating particularly to regional autonomy, the position of the Church, education, divorce, the Presidential veto and the second chamber. After three and a half years' experience and study the time has come, it claims, to amend the sections of the Constitution on these subjects in order to bring them into accord with what the government believes to be the present wishes of the people.

All the elements of the Left denounced the project as a step toward the subversion of the institutions of the republic. In a bitter attack on the proposals, ex-Premier Azaña accused Prime Minister Lerroux and his Radicals as now being "in league with the enemies of the republic to destroy the fundamental laws which they had helped to set up." The speech greatly angered the Prime Minister, and in the debate on the accusations against Azaña's complicity in the sale of Portuguese arms to the Asturian Socialists in the revolt of last October he made a vigorous attack on Azaña. Despite a strong vote against the ex-Premier, however, the necessary quorum could not be obtained, and he will therefore not have to appear before the Tribunal of Constitutional Guarantees.

In the matter of agrarian reform, the Cortes has decided to carry on under the constitutional provisions, and has proposed a law which incorporates the principle that indemnification must accompany all expropriations. This means large payments to the grandees, and on July 25 many

Left Republicans formally withdrew from the Cortes by way of protest.

The outline of the budget for 1936, as reported to the Cortes in July, provides for rigid economies in the government's services. The Ministries are to be reduced from thirteen to ten by consolidating the Army, Navy and Air Departments and by eliminating the Ministry of Justice. Double jobs for State employes are to be abolished and the pension system subjected to a much-needed revision. Refunding of the national debt to bring about consolidation at a lower rate of interest was also proposed and steps for its execution started.

Negotiations for new trade agreements with France and Great Britain were in progress at the beginning of July. Those with France ended in complete failure and the commercial treaty lapsed on July 9. During the disputes over the renewal and the new tariff schedules the duties on French silks were raised fivefold and those on automobiles sevenfold. In the case of Great Britain, the negotiations encountered bitter opposition from Asturian, Leon and Palencian coal interests to the quota of British coal to be admitted under special rates. They asked for a reduction of the present 750,000 tons quota to 500,000 tons, while rumor reported an increase to 1,000,000 tons.

Will Greece Bring Back Her King?

By FREDERIC A. OGG

Two days after the Greek Parliament assembled on July 1, a bill for a plebiscite on the form of government was introduced. The measure, promptly passed, was brief and simple. At a date to be fixed by the government, the electorate was to be asked to make its choice between maintaining the existing Republican régime and restoring a constitutional monarchy with parliamentary institutions. The manner of holding the plebiscite, the minimum number of valid votes required to effect a change and the necessary safeguards of electoral honesty were left to be defined by decree forty days in advance of the plebiscite.

The Cabinet decided while the bill was still before Parliament that the plebiscite should be held on Nov. 15. This delay was commonly ascribed to the desire of the Royalists to carry on intensive propaganda in those parts of the country that have been strongly Republican, especially in regions inhabited by refugees from Asia Minor who are inclined to remain faithful to former Premier Venizelos.

In the middle of July, differences of opinion in government circles led to a brief but significant Cabinet crisis. Premier Panagoti Tsaldaris, a Royalist, has from the first stood not only for an honest plebiscite, but for a fair and neutral attitude by the government. But General George Kondylis, Vice Premier and Minister of War, has believed that the Royalist interests should be promoted by making the government 100 per cent Royalist before the plebiscite was held. When Royalist Deputies rallied in large numbers to this point of view,

Premier Tsaldaris on July 19 tendered to President Zaimis the entire Cabinet's resignation. The immediate decision was provoked by General Kondylis's accusation that M. Tsaldaris had compromised his vaunted neutrality by permitting Minister of Public Works Kyrkos to attack former King George.

The War Minister, however, refused to take over the Premiership, even during M. Tsaldaris's prospective six weeks' vacation in Germany, and in the end the latter accepted reappointment as head of a Cabinet containing three new Republican and two new Royalist members. General Kondylis, hero of the recent fighting in which his government forces smashed rebellious followers of ex-Premier Venizelos, was regarded as the key man in a tense situation, and observers anxiously awaited his next move.

On July 23 the reinstated Premier Tsaldaris approved six conditions for a monarchial restoration set forth by former King George to Mayor Kotzias of Athens during a three-day conference in London. These were: (1) That a plebiscite be held under such circumstances that no charges of unfairness or incompleteness could be brought against it; (2) that there should be no attempt at a restoration by force; (3) that the plebiscite should be postponed if disorders seemed likely to prejudice its results; (4) that the ex-King should have the right to decide for himself whether the Royalist vote was sufficient to warrant his return; (5) that the plebiscite should be preceded by a Royalist-Republican truce of one month to permit the country to make up its mind calmly, and (6) that, if a restoration took place, a national election should be held soon afterward, with the Republicans pledged to cooperate. The former King's reservation of the right to decide whether a Royalist majority, if secured, was of such proportions (he is understood to have had in mind 60 per cent) as to justify his return was particularly welcome in Cabinet circles, which have been divided sharply over the percentage that ought to be required. Premier Tsaldaris, it was said, believed that the republic should be maintained unless the votes for monarchy constitute an overwhelming majority.

As would be expected, many monarchists have toyed with the idea of a coup d'état; others, lacking confidence that their cause was gaining strength, have demanded that the plebiscite be held forthwith. To all such suggestions, however, both the Premier and the former King have turned a deaf ear. Fear of a monarchist coup arose principally from the widening breach between the Premier and General Kondylis, who was known to be building a solid anti-Tsaldarist front inside, as well as outside, government ranks. On July 29, however, the former War Minister pledged himself to refrain from any move of the kind during M. Tsaldaris's vacation in Germany.

In 1932, Venizelos, who was then Premier, appointed a commission to study constitutional revision. The report is now available, and while those upholding the existing régime cannot be expected to agree with all its recommendations, it is well known that—quite apart from the issue of monarchy — Premier Tsaldaris and other leaders consider some form of revision imperative. Affirming the need of better balance between executive and legislative authority, the report points out a variety of ways in which the executive can be freed from "the tyranny of Deputies."

Bold dictatorship on the German or Italian model is brushed aside, but power for the President to suspend stipulated sections of the Constitution in case of need is recommended, and a good deal of approval is shown for an Executive similar to the one provided for in the German Constitution before the coming of Nazi rule in 1933. The Senate, which was abolished soon after the March revolt, should not, in the commission's opinion, be revived; and on the ground that the newspapers have "indulged in license," such muzzling of the press is advocated as will prevent it from "poisoning the thinking of the country."

POLAND'S ELECTORAL SYSTEM

The Polish Sejm by a final vote of 216 to 19 passed on June 28 three bills for the reform of the electoral system. Six days later, by a vote of 64 to 24, the Senate concurred in the measures without change. All opposition amendments that would have involved wide departures from the government's plan were rejected. Under the new laws about 20,000,000 people out of a population of nearly 34,000,000 will have a right to participate in electing members of the Sejm. Senators will be chosen by some 400,000, made up of approximately 70,000 persons who have been decorated for services to the State, 200,000 possessing the necessary educational attainments, and 130,000 belonging to autonomous administrations, economic organizations and other stipulated bodies.

Having done what was expected of it, Parliament was dissolved on July 10. President Moscicki announced that dissolution was made necessary by the fact that the new Constitution was now due to come into force. Election of the new Parliament, which must take place between Sept. 8 and Oct. 13, will be a complicated proceeding for the authorities, but simple enough for the electorate. The great mass of voters will have only to choose two from among four candidates for the Sejm nominated in each of 104 constituencies by municipal councils, chambers of commerce, labor federations and professional groups.

Frustrated in their efforts to amend the electoral bills before passage, various opposition parties and groups at once announced their plan to boycott the coming elections. Thus the National Democratic party, the Right-Wing Opposition, which had 63 members in the late Sejm, proclaimed that not one of the number would be a candidate for re-election. Similar declarations were made by the Socialist party, with 21 Deputies, and the People's party, with 41. These three are the strongest Opposition groups, and their abstention from the next election will leave the government bloc virtually without Parliamentary opposition.

Before the electoral bills were prepared, Prime Minister Slawek promised that the interests of national minorities would be protected, and while the laws themselves contain no specific provisions on the point, there is no reason why the government's promise cannot be fulfilled if the will to carry it out is sufficiently strong. Various minority groups, however, including the Jewish and Ukrainian Socialists, have announced a policy of boycott.

As for the people generally, they have not thus far displayed keen interest in the government's program of constitutional and electoral reform. The common attitude seems to be one of patience and tolerance, born of the feeling that something of the sort is necessary, yet not grounded upon any

deep confidence that the correct solution has been found. Various minorities are palpably dissatisfied, and M. Rataj, a leader of the People's party, lately threw out a hint of unpleasant possibilities when he reminded the Sejm that problems which are not allowed to be solved through the medium of the ballot may have to seek their solution "in the street," that is, by violence.

Nation-wide celebration of the fifteenth anniversary of Poland's taking possession of her present narrow strip of shore under terms of the Versailles treaty took the form of a two-day "festival of the sea," a principal feature being the raising of a 5,000,000-zloty Pilsudski memorial fund for building Polish ships. Starting fifteen years ago without a single ship, Poland now has a merchant marine of fifty-five vessels. Her first transatlantic liner was launched last December and a second one on July 2.

DANZIG AND POLAND

New troubles broke out between Poland and the Free City of Danzig in July—one more chapter in the history of the long-continued tariff and currency war. On July 18 the Warsaw government practically expelled Danzig from the Polish customs union when the city's customs authorities were ordered to handle only those goods designed for Danzig's own consumption. Two days later the Polish Minister of Finance ordered the Polish customs offices in the Danzig territory not to accept Danzig guilders as payment of duties on goods shipped into Poland by Danzig.

In retaliation Arthur Greiser, President of the Danzig Senate, issued a decree on Aug. 1 providing for the free importation of coal, pigs, butter, eggs, medicines and several other categories of goods. Warsaw, in turn, protested vigorously, insisting that the city's action violated both the Danzig Constitution and the Versailles treaty. The protest was the more spirited since the duty-free commodities listed were expected to come mainly from Germany. The episode seemed to raise again the question whether or not the Free City is to be dominated by Poland or Germany.

But on Aug. 7 the dispute appeared to be moving toward settlement. The Free City's Senate agreed to withdraw its decree concerning duty-free imports, while the Polish Commissioner promised that Poland would suspend the order forbidding Danzig to collect duties on goods shipped to Poland by way of the Free City. In this settlement was seen the fine hand of Berlin, which is not anxious to permit anything to mar its relations with Warsaw.

YUGOSLAVIA'S NEW REGIME

Except among the Croats, the concise and straightforward statement of policy made in the Yugoslav Skupshtina on July 4 by the new Prime Minister, Dr. Milan Stoyadinovitch, created a favorable impression. No change was forecast in foreign affairs. The old treaties, friendships and alliances were to be maintained, and particularly the close relations with the other countries of the Little and Balkan Ententes and with France.

In the field of domestic policy it was made clear that, while the Premier desired to see the late King Alexander's dictatorship abandoned, transition to free parliamentary government would be gradual. The principles of the Constitution of 1931, it was asserted, would be adhered to, which meant that the unitary as op-

posed to the federal form of national organization would be preserved and that the old party system would not be revived. On the other hand, a new electoral law (the foremost demand of the Opposition) was to be enacted, and with it new and more liberal measures relating to the press and to freedom of assembly.

Succeeding weeks saw the rigors of dictatorship considerably relaxed. An act of Parliament empowering the Premier to lift the censorship, permit public meetings and sanction political activity contributed a good deal. While a law, passed at the government's request, authorizing the Cabinet to amend and supplement all laws during Parliamentary recesses seemed a grant of dictatorial powers, it was understood to be designed for liberal purposes. On this measure about two-thirds of the Deputies voted for the government and one-third against it.

In point of fact, the ban against the old parties has virtually been removed, and reports indicate that meetings are being held in all the larger cities. Old and new leaders are swinging into action; former slogans are once more resounding; in short, the whole country is being turned into a political arena.

Without any promise of autonomy from government sources, the Croats have continued restless. Yet on July 20, the fifty-sixth birthday of Dr. Matchek, the long-proscribed red, white and blue Croat banner was allowed to float over Zagreb, and the new Cabinet's attitude toward the discontented nationality has been conciliatory enough to draw sharp criticism from adherents of the former Yeftitch Ministry. Widespread demonstrations in honor of Dr. Matchek, moreover, becâme occasions for vigorous reassertions of claims to regional autonomy, and in many places turbulent scenes were enacted. The recipient of thousands of gifts and congratulatory telegrams from all portions of Croatia, Dr. Matchek declared in a published statement that he considered the demonstrations in his honor clear proof that the national feeling so firmly repressed by Serb authorities in years past continues strong among the Croats.

REACTION IN BULGARIA

Evidence grows that the Mihailov wing of the Internal Macedonian Revolutionary Organization is gradually regaining the position of dominance over Bulgarian affairs which it held until drastic measures were taken against it last year by the Gheorghiev Cabinet. Police agents formerly employed to unearth Mihailovist secret archives and ferret out criminal plots have been dismissed; the houses of many anti-Mihailovists in Sofia—supporters of the Gheorghiev régime—have been ordered searched; several Mihailovists condemned to death by the courts-martial established in Bulgarian Macedonia by the Gheorgiev Cabinet have not been, and almost certainly will not be, executed.

The faction has many sympathizers among the members of the present government, and King Boris is known to be friendly toward it, believing that it protects his throne against the possible growth of a movement for a South Slav federation. He is paying the penalty, however, of growing unpopularity in the provinces, where the peasants are alarmed lest the Mihailovists ultimately re-establish their former "State within a State" and resume the terrorist practices that once made their name opprobrious throughout the country.

Sea Power in the Baltic

By RALPH THOMPSON

THE Scandinavian and Baltic States were intensely interested in the Anglo-German naval agreement made public on June 18. For fifteen years these Northern nations had enjoyed an almost effortless security—Britain, the greatest sea power, had been constantly improving her commercial and diplomatic position among them; there had been no German fleet to speak of, and Russia's fleet was relatively weak. But the new agreement altered the situation. With bases at Koenigsberg, Stettin and Kiel, a rejuvenated German battle squadron could with little or no trouble control the entire Baltic area.

Finland's first reaction was more favorable to Germany than that of Norway, Sweden and Denmark. The Finnish Government is relatively conservative, and powerful elements in the population have long shown a sympathy for fascism in general and for German aspirations in particular. For years these nationalistic elements have been declaiming against the so-called wickedness of the Soviet Union. Several groups of Russian "spies" have been uncovered; there have been alarming reports to the effect that the Union was creating a "safety zone" along the Finnish frontier by forcibly removing the local population of Finnish origin and substituting Russians. An official inquiry on this matter was answered by Moscow during the first week of July in far from conciliatory fashion; Finland was informed that the safety zone was Russia's own affair.

Although the Finnish Government has officially frowned upon activities which might be construed as anti-Russian or pro-German, there have been indications of a growing Fascist sympathy. President Svinhufvud recently bestowed upon General Goering, German Minister of Aviation, the insignia of Finland's highest order, and when a special representative of Premier Mussolini arrived in Helsinki early in June to confer with Finnish Fascists he was courteously received in official circles.

In view of all this, it is not surprising that Finland showed no extraordinary concern because of Germany's reappearance as a naval power. On July 20, to be sure, *Ajan Suunta,* the chief newspaper of Finnish Nazis, declared that the Aland Islands, which were formally neutralized in 1922, should be once more fortified because of their strategic position in the Baltic. But this recommendation was interpreted as anti-Russian rather than as anti-German.

The immediate effect of the Anglo-German pact upon Norway, Sweden and Denmark has been to strengthen the hands of those elements which have for years been advocating increases in naval and air force strengths. Up to this point the Left-Wing governments in each country have been more or less successful in blocking these demands, but it now appears probable that greatly increased defense budgets will be forthcoming. Yet even in 1933 the combined Swedish, Norwegian and Danish

naval strength did not match that of Germany, and a naval race is obviously out of the question. Sweden is said however, to have laid plans for concentrating her foreign trade during a future war at Göteborg, on the North Sea, thereby avoiding the dangers of the Baltic, and to have drawn up a scheme for the defense of the island of Gotland.

In the small Baltic States the effect of the Anglo-German agreement was less easy to gauge. A conference of all Latvian representatives in European capitals and high officials of the Foreign Office, held in Riga during the first fortnight of July, brought forth no formal statement, but it was known that questions of security and defense were discussed in detail.

LITHUANIAN PRICE CZAR

Reports recently received from Lithuania show that on Feb. 5, 1935, the Cabinet promulgated a new and remarkable law for the supervision of prices. A Regulator of Prices has been appointed, who, to "safeguard public welfare in the State," may fix commodity values, wages and conditions of trade. When his decrees are violated he may confiscate the commodity or order the suspension of its manufacture. He has access to the books and trade secrets of all concerns, public or private, and may impose fines upon those who obstruct him in his duties. Appeal against his decisions may be made only to the Minister of Finance, whose decision is final. Since the Regulator of Prices is nominated for his post by the Minister of Finance, and presumably sees eye to eye with him, this last provision can offer little in the way of a check upon such strict control.

The Soviet-American Trade Pact

By EDGAR S. FURNISS

THE trade agreement signed in Moscow on July 13 by American and Russian representatives may mark the first break in the commercial deadlock between the two countries. Since American recognition of the Soviet Union, an act inspired largely by hope for new markets, trade has been paralyzed by Russian inability to obtain credits in the United States; and this in turn has been due to failure to settle the long-standing debt question. Final collapse of the debt negotiations last Fall after two years of effort showed the futility of approaching the trade problem through this avenue. The present trade agreement offers a way around the difficulty, for it was drawn under powers given the President by the Tariff Act of 1934, and therefore requires no ratification by Congress. The agreement went into effect as soon as it was signed by Ambassador Bullitt and Commissar Litvinov.

The terms of the agreement follow closely those of similar conventions recently concluded by the United States with Belgium, Czechoslovakia and Brazil. The Tariff Act of 1934 authorizes the President to reduce or remove tariff duties in exchange for trade concessions from another country. Since the Soviet Union has no

tariff concessions to offer, for Russian import trade is a government monopoly, the Union has unofficially agreed to buy at least $30,000,000 worth of American goods during the twelve months covered by the agreement—an amount greater than the total American sales to Russia in 1933 and 1934. The United States, for its part, has reduced the tariff on certain Soviet products—of which manganese is an important item—and has placed wood pulp on the free list. The agreement may be renewed after the trial twelve-month period.

When the signing of the pact was announced, great expectations were aroused in certain quarters for immediate and substantial benefit to American business. Possibly the memory of Litvinov's suggestion to the London Economic Conference that the Union was prepared to spend $1,000,000,000 in foreign markets still lingers as a glittering hope; possibly men recall a recent proposal to re-equip the Soviet railways on the American model at a cost of several hundred million dollars. But any sober examination of Russia's foreign trade will dispel the illusion that the new agreement will mean much to American exporters.

Russia's total import trade in heavy metal goods is declining as her industrialization program nears completion and the country grows more nearly self-sufficient. It was need of this sort of goods which four years ago carried American sales to the Soviet Union above the $100,000,000 mark. While the Union still imports basic commodities—witness the purchase this year of $5,500,000 worth of American cotton—it is now exporting foodstuffs and plans to become independent in other raw materials.

By facilitating the importation of Russian goods and placing the trade relations of the two countries on a more secure footing this new arrangement may transfer to our market some purchases which might have gone elsewhere, but at best the development will be slow and on a relatively small scale. The chief gain is to remove the debt problem from the sphere of commercial relations, thus freeing business deals from political controversy.

RUSSIA AND HER NEIGHBORS

The rapid reinstatement of Russia into full international standing—an outstanding achievement of the Stalin régime—was emphasized again on July 12, when Belgium officially recognized the Soviet Union. Negotiations had been secretly conducted in Paris, an indication of the influence exerted by France on her Belgian ally. As with France and the Eastern European countries, the change in Belgium's attitude toward the Union can be attributed in large part to fear of Germany and Soviet opposition to German policies. Belgium's recognition leaves only three European countries—the Netherlands, Portugal and Switzerland—without diplomatic relations with Soviet Russia. Taking the world as a whole, Latin America is now the only area in which Soviet diplomacy has made no headway, for only Colombia and Uruguay have established normal relations.

Despite this increasing stability in foreign relations, Russia's war-fears do not die down. While the repeated assertions that the capitalistic nations of the world are about to combine against the Soviet Union may be dismissed as propaganda designed to arouse popular loyalty, the specific charge that Germany is a standing menace to Russian security probably has more basis in fact.

During July the Soviet authorities

gave a new slant to their predictions of war in the West by making public an alleged conspiracy between Germany and Finland to invade North Russia. It is said in support of this assertion that the German fleet is concentrated in the Baltic; that the Reich's new naval armament of warships and submarines is especially constructed to operate in the narrow waters of the Finnish coast, and that Finland is constructing air and submarine bases which have no obvious relation to her own legitimate needs. These suspicions are evidently taken seriously by the Soviet Government, for the Union has launched a counter-preparedness program, increasing the strength of the Baltic fleet and extending fortifications in that sector.

This reputed danger in the West is really but a phase of the Far Eastern situation, and is so recognized by the Soviet Government. No hostile action by Germany or Finland is expected, save as a consequence of an open break with Japan. Real danger does exist in the Far East and increases as Japanese activity expands in North China and Mongolia.

Japan, on July 6, accepted the Soviet Union's proposal that a mixed commission be set up to regulate all disputes arising on the Siberian-Manchurian border. What is contemplated is a tripartite commission of Soviet, Japanese and Manchukuoan representatives, with permanent headquarters at Harbin and subcommissions at the principal points of friction along the border. These bodies will have final authority over all matters in dispute. The mixed commission is a device which the Soviet Union has employed before in settling boundary disputes with other States, but the suggestion that it be employed in the present instance involves a much greater concession of principle than in others.

The Soviet representatives will have a minority voice in any settlements that may be reached, since close collaboration between the Japanese and Manchukuoan delegates can be taken for granted. The arrangement, in addition, implies some degree of recognition of Manchukuo, something which the Union has heretofore refused to concede. Russian willingness to set up these commissions offers proof of a sincere desire for peace—a fact that has received due recognition in Japan. Thus, the mere agreement to create the commission has done much to reduce the tension in the Far East, quite irrespective of any positive action it may take when it assumes its duties.

THE THIRD INTERNATIONAL

The Seventh Congress of the Third International, after frequent postponements by the Russian Communist party, met behind closed doors in Moscow on July 25. Observers in other countries have long been curious about the line of policy to be taken by this sovereign body of world communism, realizing that the platform of world-wide revolution, on which the Red International was originally founded, did not harmonize with the foreign policy of the Soviet Union. It has been a question whether the formal creed of the International party or the practical politics of the major partner in the combination would determine the course of events.

This question was answered by a statement in *Pravda,* official organ of Russian communism, published on the opening day of the Congress. The Third International is instructed to abandon, for the time being, its plans for proletarian revolt and to swing the forces of communism throughout the world into alliance with the de-

spised liberals for united assault on fascism. "Communists," said *Pravda*, "must fight with complete unselfishness to save the remnants of bourgeois democracy." This is a shrewd solution of the dilemma in which the Russian leaders have been placed by their dual responsibilities—on the one hand, as officials in a government which is striving to perfect stable relations with capitalist States, and on the other, as directors of an organized attack on the basic institutions of these same States. The new policy for world communism, involving as it does fusion with democratic parties in which the Communists must be hopelessly outnumbered, is obviously a complete change of front. Though the more bitter opponents of communism may be skeptical of its sincerity of purpose, it is clearly in accord with the realties of world politics.

For the United States this important development was overshadowed by the emphasis given in the press to certain bellicose statements by American Communists. Earl Browder, General Secretary of the United States Communist party, asserted that the movement was gaining rapid headway here and was effectively penetrating many apparently conservative labor and political organizations. He also outlined in rather violent terms plans for numerous disturbances and even for a general strike. Examination of his reports, however, does little to increase one's fear for the future of American institutions. The total Communist party membership in the United States, according to Browder, is only 30,000; the Negro group, which is described as the spearhead of revolt, numbers 2,500; the Red unions, which are to dominate the policies of organized labor, include 4,000 workers divided into over 500 units scattered through factories employing nearly 1,000,000 men.

Turkey and the Straits

By ROBERT L. BAKER

THE main objective of Turkish foreign policy for some years has been the peaceful revision of those parts of the Treaty of Lausanne which legally prevent Turkey from refortifying the Dardanelles and Western Thrace. Her representatives have been working constantly at Geneva, in London, in Paris and in the Balkan capitals toward this end, and it is probable that the question would have been pressed vigorously before the League of Nations Assembly this year if the Italo-Ethiopian crisis had not arisen.

The obstacles in the way of granting Turkey's wish are formidable. Great Britain, France and Italy, the principal signatories of the Lausanne treaty, have no desire to start the ball of peaceful treaty revision rolling because there is no telling where it would stop. Moreover, Black Sea interests of one kind or another make them desire the Straits to be open in time of war. Turkey's allies in the campaign for the right to refortify the Straits are Soviet Russia, Greece and Rumania, while Yugoslavia supports the idea "in principle."

As President Mustafa Ataturk's views determine the direction of Turkish foreign policy his latest statement in regard to the Straits is worthy of notice. In an interview granted late in June to a representative of the London *Daily Telegraph* he said:

"Certain unscrupulous European leaders, who do not appreciate the seriousness of war, have become instruments of aggression. They have deceived the countries they rule by distorting facts and by abusing nationalism and patriotism. * * * The world situation and certain specific conditions have changed since the Treaty of Lausanne, in which Turkey agreed to let the Straits remain open.

"The Straits divide Turkish territory into two parts. The fortification of the waterway is, therefore, of great importance to the security and defense of Turkey. It is also vitally important in international relations. Such a key position cannot be permitted to remain at the mercy of some irresponsible aggressor. Turkey must prevent eventual breakers of the peace from passing through the Straits in order to make war on other nations, and she will never permit such a thing to happen."

If the Turks are not at present pressing their claims it is because they are using refortification as a diplomatic lever to bring about the conclusion of a series of non-aggression and mutual assistance pacts designed to insure the security of the Little Entente countries and the Balkan Bloc. The immediate and effective refortification of the Straits and Western Thrace is also held as a deterrent to Bulgaria's rearmament.

As a matter of fact, experts hold that Turkey could close the Straits at a few hours' notice and in spite of the fact that she has kept the promises made at Lausanne. This she could do because she could quickly lay mines, of which she has an ample supply, and she has built excellent roads in the demilitarized zone south of the Dardanelles over which her mechanized artillery could speed to drive away mine-sweepers. These modern artillery units are stationed just behind the zone. As soon as the right to refortify the Straits is won, or when circumstances appear to require such a step by unilateral action, the Turks plan to construct underground torpedo tubes, submarine and seaplane bases and permanent undersea mine fields as well as modern coast-defense works.

The race among the European powers for supremacy in the air has spurred the Turks to activity in developing a stronger air force. Premier Ismet Inonu declared late in June that the country's greatest danger lay in attack from the air, and he appealed to the people to subscribe a fund of about $24,000,000, over and above the regular appropriation, to make possible an establishment of 500 planes. Despite the heavy burden of taxation in Turkey, the response to this appeal has been remarkable, and it is expected that the full sum will soon be obtained.

STABILITY IN EGYPT

The life of the present Cabinet in Egypt, headed by Premier Nessim Pasha, depends on the attitude the Nationalists take toward it. If they oppose Nessim, he must resign; if they support him, its efforts for gradual reform can continue. During June it appeared that the Nationalists were so dissatisfied with Nessim's failure to bring back the 1923 Constitution that they might go into active opposi-

tion. On June 27, however, Mustafa Nahas Pasha, the party leader, backed by the moderate element, announced in a manifesto to the country that the Wafd would support the government. The manifesto accused the British Government of interfering with Egyptian independence by blocking a return to the old Constitution. Whether the charge is true or not a scapegoat was found, and Nessim Pasha's position seems secure for the immediate future.

PALESTINE'S FINANCES

The Palestine Treasury showed a surplus of nearly $10,000,000 for the year ended March 31, 1935, and an accumulated surplus at that time of nearly $24,000,000. Government officials estimated that by March, 1936, the surplus would amount to $35,000,000.

A delegation from the Palestine Manufacturing Association presented a demand to the High Commissioner on July 29 that drastic measures be taken to prevent dumping, especially by Japanese interests.

THE CHAMBERLAIN INCIDENT

If proof were needed that the Arabs are becoming frontier-conscious, it was provided by the detention of Captain Joseph Austen Chamberlain, son of Sir Austen Chamberlain, and seven companions when they inadvertently crossed the Saudi Arabian frontier near Akaba about July 20. The Transjordan Government and the High Commissioner for Palestine explained to the Saudian Government that Captain Chamberlain, who is attached to the Transjordan Frontier Force, had simply lost his way and that his transgression was unintentional. The Emir Saud, eldest son of King Ibn Saud, who was visiting England, also interceded in behalf of Captain Chamberlain, and the party was released after a few days' captivity.

The significance of the incident can be traced to Ibn Saud's dissatisfaction with developments at Akaba, a small port at the head of the Gulf of Akaba and lying across the Sinai Peninsula from the Suez Canal. During the World War Akaba was of great importance strategically, serving as Colonel Lawrence's base in leading the desert Arabs against the Turkish left flank. The question of its permanent ownership was expressly reserved in the treaty of 1927 between Great Britain and Ibn Saud, and it remained under Transjordan control. When neighboring tribes revolted against Ibn Saud in 1932 the British occupied the port and began to fortify it. And last April the Emir Abdullah of Transjordan formally agreed that Great Britain should be responsible for its defense.

According to French reports, Akaba is being made into a powerful submarine, naval and air base. By reason of its position at the head of the Red Sea and at the junction of Saudi Arabia, Transjordan, Palestine and Egypt, it is regarded as invaluable strategically. A branch railway line from Akaba to Maan is said to be under consideration, providing direct communication with Haifa on the Mediterranean. If the Suez Canal should be blocked in time of war, the Akaba-Haifa route would provide an alternative means of communication between India and Europe.

King Ibn Saud has by no means abandoned his claim to Akaba and, according to an unconfirmed report, has appealed to the World Court on the question of its ownership.

Russo-Japanese Friction

By GROVER CLARK

SOVIET RUSSIA'S sale to Manchukuo of her interests in the Chinese Eastern Railway removed some of the excuses for friction with Japan, but, as was foreseen at the time of the sale, plenty of other excuses could and would be found so long as the Japanese military remained in a position to push their ambitions in Northeastern Asia. The latest disagreements, arising out of incidents along the Manchukuo-Siberia border and in relation to Outer Mongolia, have led to an exchange of sharply worded notes between Tokyo and Moscow and to truculent statements by both Russian and Japanese high officials.

In a vigorous protest which the Soviet Ambassador at Tokyo delivered on July 1, Russia enumerated a long series of what it claimed were violations of Soviet territory by Japanese-Manchukuoan armed forces. Particular stress was put on three incidents which occurred toward the end of June in the Khabarovsk district at the junction of the Amur and Ussuri Rivers. On two occasions, the protest said, detachments of Japanese and Manchukuoan soldiers numbering around fifty passed Soviet sentries, crossed into Soviet territory and remained for some time; on another, two Manchukuoan gunboats sailed into the Soviet part of the Amur River in the face of warnings from Soviet patrol boats, and trained their guns on the Soviet ships.

The Soviet note of July 1 said that "these violations of Soviet frontiers by Japanese-Manchukuoan authorities may bring very serious consequences in the relations between the U. S. S. R. and Japan and to the cause of peace in the Far East." The responsibility for what the local Japanese and Manchukuoan authorities did "falls on the Japanese Government," the note declared. Russia "cannot permit" such incidents to continue, and particularly cannot allow navigation of Soviet interior waters by Japanese-Manchukuoan vessels. If such navigation does not cease "in these waters and near the city of Khabarovsk the responsibility for the consequences will fall on the Japanese-Manchukuoan authorities."

Tokyo informed the newspapers that a reply would be sent to Moscow after Japan's commander-ambassador in Manchukuo had reported on the incidents. The reply, delivered on July 21, was practically as sharp as the Soviet protest. Foreign Minister Hirota denied all Moscow's charges of frontier violations, declaring that they were "either unfounded in fact or attempts to disguise the issue where the responsibility rests on the Soviet." Moscow, he said, was directing "unwarranted abuse against the Japanese authorities in Manchukuo" and seemed to be "seeking to attract wide public attention by giving sensational publicity to exaggerated misinformation." No Japanese armed units had ever crossed the frontier, the Japanese note said. It also claimed that Manchukuoan gunboats have the full right to sail the Amur, since it is a frontier stream. Manchukuo, furthermore, claims the

delta islands at the junction of the Amur and Ussuri Rivers; it has not abandoned the claim.

Japan's War Minister, on returning from an extended trip in Manchukuo, told the National Policy Council on June 28 that Japan needs "a large increase in her forces in Manchukuo to hold the Soviet in check." There are 200,000 Soviet troops along the frontier, in well-chosen and well-fortified positions, he said, with no Japanese forces able to resist. Disparities of this kind have in the past been causes of war. After this meeting with the Council, he told the newspapers that he expected little from the Foreign Minister's efforts to get Russia to demilitarize the frontier, and that if peace were to be assured, withdrawal of the Russian troops would have to be supplemented by the destruction of Soviet fortifications along the border. In later press interviews—on July 17 and 24—the War Minister insisted that the need for defense preparations against Russia necessitated increased military expenditures. The present Japanese forces in Manchukuo, he declared, were enough for dealing with bandits, but would have to be increased when Russia and Outer Mongolia were considered.

Vlas Chubar, Soviet Vice Premier, on July 7 indulged in even more warlike talk. Speaking to a huge crowd in Moscow, he specifically charged that the Japanese militarists were provoking "collision" in the Far East. The attitude of the Japanese and Manchukuoan forces is "threatening," he said, but added that "no menace will alter our policy for peace or our readiness to defend the Soviet Union with all the means at our disposal."

The Russian newspapers centred their criticism chiefly on Japanese moves in relation to Outer Mongolia, charging that Japan was deliberately provoking incidents to give an excuse for seizing new territory, as she had done in Manchuria and North China.

The immediate occasion for these attacks was Japanese-Manchukuoan action following the arrest of a Japanese army officer and his White Russian assistant, who were engaged in surveying. The arrest occurred on June 23 while a Mongol-Manchukuoan conference at Manchuli was discussing the Khalka border clashes earlier in the year. The men were released on July 4, and on July 8 the Mongol Government sent a most conciliatory note. The Mongol claim is that the men were arrested in Manchukuoan, not Mongol, territory. Mongolia suggested the appointment of a joint Mongol-Manchukuoan commission to deal with this and other border disputes. If this commission found that the men had been arrested in Manchukuoan territory, the Mongol Government would be ready to apologize and to punish those guilty.

On the day the men were released a Japanese-Manchukuoan note in the nature of an ultimatum was presented to Mongolia. It demanded that Manchukuo be permitted to station in Outer Mongolia permanent military representatives who would have the rights of free travel and communication. This demand, the Russian newspapers charged, meant that Japan wanted to place spies throughout Mongolia in preparation for invasion. Japan contends that Mongolia cannot longer remain closed to all outside contacts except those with Soviet Russia. The demand has been rejected as "entirely unwarranted" and "intolerable."

Foreign commentators point out a significant relation between these developments in Outer Mongolia and

the recent Japanese military moves which resulted in the creation of a virtually Japanese protectorate in the Chahar and the Peiping-Tientsin area. The Japanese Army, it is suggested, seems to be removing all possible causes of trouble from the South in case Japan should get into war with Russia or drive westward from Manchukuo into Mongolia.

The Russians are watching Japan's moves in Mongolia very closely because Japanese occupation of that region would lay Siberia open to attack as far west as the Urals. No official Russian comment has been forthcoming, but any Japanese move which appeared to threaten Russian predominance in Outer Mongolia certainly would precipitate a major crisis.

JAPAN'S QUEST FOR MARKETS

The Japanese Government has decided to try retaliation as a means of breaking down the trade barriers which various countries have in recent years raised against Japanese goods. Trade with Canada has been selected as the first test case.

Japan's opening move was the issue on July 20 of an order levying a tariff surtax of 50 per cent on eleven kinds of goods imported from Canada. These include timber, wheat and wheat flour, and certain kinds of paper, chiefly newsprint. About half the imports from Canada will be affected; these totaled nearly $17,000,000 in 1934. The Canadian Government met this move, on the same day, by applying a 33 1-3 per cent tariff surtax on all goods imported from Japan. This levy, according to Premier Bennett's statement, automatically resulted from Japan's action, since in imposing the 50 per cent surtax Japan had violated the Anglo-Japanese trade agreement of 1911, to which Canada became a signatory in 1913. Both governments announced that the new levies would not apply to goods in transit at the time.

The dispute grew out of the Canadian law of 1932 providing for special exchange compensation and anti-dumping duties on goods from countries whose currencies have depreciated by more than 5 per cent in terms of Canadian currency. The Canadian laws also give the customs authorities the right to fix a "fair market value or fixed value" as a basis for calculating tariff charges. The Japanese declare that the Canadian tariffs as applied to Japanese goods are "exorbitantly high and discriminatory." They also maintain that the "market values" set by the Canadian customs authorities frequently are four or five times the real values. In answer to this charge of discrimination, Premier Bennett pointed out that Canada could not agree to Japan's requests for "the abolition of the anti-dumping and exchange compensation duties and fixed valuations, and for assessment of ordinary duty at the depreciated rate of exchange," because "such a course would in practice involve discrimination against other countries, including Great Britain, and place Japan in a privileged position in our markets."

Japan's trade relations with Australia present another picture, and the trade negotiations with that country have been carried on in far different spirit. Instead of filing protests and making demands, the Japanese have been working strenuously to cultivate Australian good-will, and the Australians have shown their willingness to meet these various friendly advances.

One exceedingly important reason for this is the significance of the wool trade to both Japan and Australia.

Japan's wool purchases are worth more than $40,000,000 a year to Australia. Japan also has been buying considerable quantities of Australian wheat. She takes, in fact, about 12 per cent of Australia's total exports—as compared with less than 2 per cent taken by the United States. Australia has every incentive to encourage the development of her sales to Japan, especially the sales of the two basic raw materials, wool and wheat. It also is to Japan's advantage to buy these commodities from Australia, for she cannot get the wool as conveniently anywhere else and she can buy wheat there on as good terms as in the United States or Canada. Furthermore, Japan has been selling increasing amounts of her manufactured goods in Australia, particularly textiles and textile products. The sale of these latter alone in 1934 amounted to nearly $13,000,000 out of the total exports to Australia of nearly $17,000,000.

JAPAN IN CHINA

Although the Nanking Government has officially accepted all the demands relating to North China presented by the Japanese Army, Japan still is far from satisfied, according to a statement by the Military Attaché of the Japanese Embassy in China. This acceptance of the army's demands, he said, "is only a surface agreement." The local Kuomintang organizations are still working secretly against the Japanese in the North as well as around Shanghai and in other parts of China. "As long as these secret organizations exist, amicable relations between Japan and China are impossible." On July 23 the spokesman for the Japanese Embassy told the correspondent of *The New York Times* that "either Chiang must openly and actively become friendly to Japan or be prepared to fight us." Chiang must come down from Szechuan, where he is fighting the Communists, the spokesman insisted, "and assume full responsibility for the real government," or "drastic action will result."

The Japanese have been doing more than talk. They have extended the North China demilitarized zone to include most of Chahar Province and have named a military man as "adviser" to the Chahar Government. They have announced that the secret terms of the Tangku truce gave them the right to establish civil aviation in China and also to develop radio, telegraph, railway and other means of communication. (Nanking officially and promptly denied the existence of any secret terms of this or any other purport.) Plans are being completed for a regular air service linking Peiping and Tientsin with Manchukuo by way of Jehol. An invasion of Peiping by groups of Japanese business men has begun, and the formation of a huge development corporation to operate in North China is under discussion.

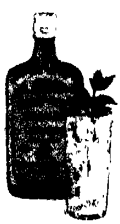
FLOODS IN THE ORIENT

Nearly 50,000 square miles of China's richest farming land under water. Some 10,000,000 made homeless, with hundreds of thousands drowned or doomed to death by famine. Property damage running close to $200,000,000. Many good-sized cities and thousands of villages completely inundated. These are some of the results of the tremendous flood which struck the Yangtse Valley during the first two weeks of July. Only slightly less damage was done by a practically simultaneous flood of the Yellow River. Japan, Formosa and Manchuria also were hit by serious floods during July.



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